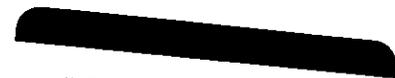


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**CANADIAN UTILITIES LIMITED**  
An **ATCO** Company

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE THREE MONTHS ENDED  
MARCH 31, 2008**

**PROCESSED**  
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# CANADIAN UTILITIES LIMITED

## Management's Discussion and Analysis (MD&A) For the Three Months Ended March 31, 2008

This MD&A should be read in conjunction with the Company's unaudited interim consolidated financial statements for the three months ended March 31, 2008, and the audited consolidated financial statements and MD&A for the year ended December 31, 2007 (2007 MD&A). **Information contained in the 2007 MD&A that is not discussed in this document remains substantially unchanged.** This MD&A is dated April 28, 2008. Additional information relating to the Company, including the Company's Annual Information Form, is available on SEDAR at [www.sedar.com](http://www.sedar.com).

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## Glossary

**Adjusted Earnings** means earnings attributable to Class A and Class B shares after adjustments for items that are not in the normal course of business nor a result of day-to-day operations. These items are usually of a non-recurring or one-time nature. Refer to Reconciliation of Earnings Attributable to Class A and Class B shares and Adjusted Earnings section for a description of these items (non GAAP items).

**Adjusted Earnings per Share** is calculated by dividing Adjusted Earnings for a period by the weighted average number of Class A and Class B shares outstanding during the period (non GAAP items).

**AESO** means the Alberta Electric System Operator.

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

**AUC** means the Alberta Utilities Commission and its predecessor, the Alberta Energy and Utilities Board.

**Availability** means a measure of time, expressed as a percentage of continuous operation, that a generating unit is capable of producing electricity, regardless of whether the unit is actually generating electricity.

**Class A shares** means Class A non-voting shares of the Company.

**Class B shares** means Class B common shares of the Company.

**Class I Shares** means Class I Non-Voting Shares of ATCO Ltd.

**Class II Shares** means Class II Voting Shares of ATCO Ltd.

**Company** means Canadian Utilities Limited and, unless the context otherwise requires, includes its subsidiaries.

**Frac spread** means the premium or discount between the purchase price of natural gas and the selling price of extracted natural gas liquids on a heat content equivalent basis.

**GAAP** means Canadian generally accepted accounting principles.

**GHG** means any greenhouse gas which has the potential to retain heat in the atmosphere, including water vapour, carbon dioxide, methane, nitrous oxide and hydrofluorocarbons.

**Gigajoule (GJ)** means a unit of energy equal to approximately 948.2 thousand British thermal units.

**Mark-to-market** means assigning a value to a contract or financial instrument based on the current market prices for that instrument or similar instruments.

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

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

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

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

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

**Propane Plus** means propane, butane, pentane and other hydrocarbons other than methane and ethane.

**Shrinkage Gas** means the natural gas which is used to replace, on a heat equivalent basis, the NGL extracted during NGL extraction operations.

**Spark spread** means the difference between the selling price of electricity and the marginal cost of producing electricity from natural gas. In this MD&A, spark spreads are based on an approximate industry heat rate of 7.5 GJ per MWh.

**U.K.** means United Kingdom.

## Company Overview

The consolidated financial statements include the accounts of Canadian Utilities Limited and all of its subsidiaries. The consolidated financial statements have been prepared in accordance with GAAP and the reporting currency is the Canadian dollar.

The Company operates in the following business segments:

The **Utilities Business Group** includes:

- the regulated distribution of natural gas by ATCO Gas;
- the regulated transmission and distribution of water by CU Water;
- the regulated transmission of natural gas by ATCO Pipelines;
- the regulated distribution and transmission of electric energy by ATCO Electric and its subsidiaries, Northland Utilities (NWT), Northland Utilities (Yellowknife) and Yukon Electrical; and
- the provision of non-regulated complementary projects by ATCO Energy Solutions.

The **Power Generation Business Group** includes:

- the non-regulated supply of electricity and cogeneration steam by ATCO Power;
- the regulated supply of electricity by Alberta Power (2000); and
- the sale of fly ash and other combustion byproducts produced in coal-fired electrical generating plants by ASHCOR Technologies.

The **Global Enterprises Business Group** includes:

- the non-regulated gathering, processing, storage, purchase and sale of natural gas by ATCO Midstream;
- the provision of project management and technical services for customers in the industrial, defence and transportation sectors by ATCO Frontec;
- the development, operation and support of information systems and technologies, and the provision of billing services, payment processing, credit, collection and call centre services by ATCO I-Tek; and
- the sale of travel services to both business and consumer sectors by ATCO Travel.

The Corporate and Other segment includes cash balances and commercial real estate owned by the Company in Alberta.

Transactions between business segments are eliminated in all reporting of the Company's consolidated financial information. For additional information on the Company's business segments, refer to Note 9 to the unaudited interim consolidated financial statements for the three months ended March 31, 2008.

## Forward-Looking Information

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

In particular, this MD&A contains forward-looking information pertaining to contractual obligations, planned capital expenditures, the impact of changes in government regulation and the impact of commodity prices. Actual results could differ materially from those anticipated in this forward-looking information as a result of regulatory decisions, competitive factors in the industries in which the Company operates, prevailing economic conditions, and other factors, many of which are beyond the control of the Company.

## **Non-GAAP Measures**

The Company uses the measures “funds generated by operations”, “Adjusted Earnings” and “Adjusted Earnings per Class A and Class B share” in this MD&A. These measures do not have any standardized meaning under GAAP and might not be comparable to similar measures presented by other companies.

Funds generated by operations is defined as cash flows from operations before changes in non-cash working capital. In management’s opinion, funds generated by operations is a significant performance indicator of the Company’s ability to generate cash during a period to fund its capital expenditures without regard to changes in non-cash working capital during the period.

Adjusted Earnings is defined as earnings attributable to Class A and Class B shares after adjustments for items that are not in the normal course of business nor a result of day-to-day operations. These items are usually of a non-recurring or one-time nature. Management believes Adjusted Earnings allow for a more effective analysis of operating performance and trends. A reconciliation of Adjusted Earnings to earnings attributable to Class A and Class B shares is presented in the Results of Operations – Selected Quarterly Information section.

## **Internal Control Over Financial Reporting**

There were no changes in the Company’s internal controls over financial reporting that have occurred during the three months ended March 31, 2008, that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

# Results of Operations

## SELECTED QUARTERLY INFORMATION

(\$ millions except per share data)	For the Three Months Ended <sup>(1) (2) (3)</sup>			
	Mar. 31	Jun. 30	Sep. 30	Dec. 31
	<i>(unaudited)</i>			
<b>2008</b>				
Revenues	740.6	-	-	-
Earnings attributable to Class A and Class B shares	150.0	-	-	-
Earnings per Class A and Class B share	1.20	-	-	-
Diluted earnings per Class A and Class B share	1.19	-	-	-
Adjusted Earnings <sup>(4)</sup>	149.7	-	-	-
Adjusted Earnings per Class A and Class B share <sup>(4)</sup>	1.19	-	-	-
<b>2007</b>				
Revenues	697.6	560.3	489.9	657.1
Earnings attributable to Class A and Class B shares	134.7	81.1	72.2	98.7
Earnings per Class A and Class B share	1.07	0.65	0.58	0.78
Diluted earnings per Class A and Class B share	1.07	0.64	0.58	0.78
Adjusted Earnings <sup>(4)</sup>	130.2	67.5	70.6	75.5
Adjusted Earnings per Class A and Class B share <sup>(4)</sup>	1.04	0.54	0.56	0.60
<b>2006</b>				
Revenues	-	563.4	553.9	671.1
Earnings attributable to Class A and Class B shares	-	70.2	66.8	100.0
Earnings per Class A and Class B share	-	0.56	0.53	0.80
Diluted earnings per Class A and Class B share	-	0.55	0.53	0.80
Adjusted Earnings	-	66.4	67.5	100.0
Adjusted Earnings per Class A and Class B share	-	0.52	0.54	0.80

### Notes:

- <sup>(1)</sup> There were no discontinued operations or extraordinary items during these periods.
- <sup>(2)</sup> Due to the seasonal nature of the Company's operations, changes in electricity prices in Alberta, the timing and demand of natural gas storage capacity sold, changes in natural gas storage fees, changes in NGL prices and natural gas costs and the timing of rate decisions, revenues, earnings and Adjusted Earnings for any quarter are not necessarily indicative of operations on an annual basis.
- <sup>(3)</sup> The above data (other than Adjusted Earnings and Adjusted Earnings per Class A and Class B share) has been extracted from the financial statements, which have been prepared in accordance with GAAP and the reporting currency is the Canadian dollar.
- <sup>(4)</sup> Refer to Significant Non-Operating Financial Items section for a description of the adjustments made to earnings attributable to Class A and Class B shares to obtain Adjusted Earnings.

The principal factors that caused variations in **financial condition** and **results of operations** over the past eight quarters necessary to understand general trends that have developed and the seasonality of the businesses disclosed in the 2007 MD&A remain substantially unchanged.

## RECONCILIATION OF EARNINGS ATTRIBUTABLE TO CLASS A AND CLASS B SHARES AND ADJUSTED EARNINGS

Adjusted Earnings are referred to in various sections of this MD&A. The following table reconciles Adjusted Earnings, which are earnings attributable to Class A and Class B shares after adjustments for items that are not in the normal course of business nor a result of day-to-day operations. These items are usually of a non-recurring or one-time nature. A description of each adjustment is provided in the Significant Non-Operating Financial Items section.

	For the Three Months ended March 31		
	2008	2007	Change to 2008 (2008-2007)
(\$ millions)			
Earnings attributable to Class A and Class B shares	150.0	134.7	11.4%
Mark-to-Market Adjustment	(0.3)	(4.5)	(93.3)%
Adjusted Earnings	149.7	130.2	15.0%

## SIGNIFICANT NON-OPERATING FINANCIAL ITEMS

Consolidated and segmented financial results include the following Significant Non-Operating Financial Items.

### Natural Gas Purchase Contracts and Associated Power Generation Revenue Contract Liability (Mark-to-Market Adjustment)

ATCO Power has long term contracts for the supply of natural gas for certain of its power generation projects. Under the terms of certain of these contracts, the volume of natural gas that ATCO Power is entitled to take is in excess of the natural gas required to generate power. As the excess volume of natural gas can be sold, ATCO Power is required to designate these entire contracts as derivative instruments. ATCO Power recognized a non-current derivative asset of \$59.0 million on January 1, 2007; thereafter, ATCO Power will record Mark-to-Market Adjustments through earnings as the fair values of these contracts change with changes in future natural gas prices. These natural gas purchase contracts mature in November 2014.

As all but the excess volume of natural gas is committed to ATCO Power's power generation obligations, ATCO Power could not recognize the entire fair values of these natural gas purchase contracts in its revenues. Consequently, on January 1, 2007, ATCO Power recognized a provision for a power generation revenue contract in the amount of \$44.8 million; thereafter, ATCO Power will record adjustments to the power generation revenue contract liability concurrently with the Mark-to-Market Adjustments for the natural gas purchase contracts derivative asset. This power generation revenue contract liability is included in deferred credits in the consolidated balance sheet.

The Mark-to-Market Adjustment for the derivative asset and the corresponding adjustment for the associated power generation revenue contract liability increased earnings by \$0.3 million for the three months ended March 31, 2008 (\$4.5 million in 2007). At March 31, 2008, the natural gas purchase contracts derivative asset is \$71.9 million (\$81.9 million in 2007) and the power generation revenue contract liability is \$53.2 million (\$61.3 million in 2007).

## CONSOLIDATED REVENUES AND EARNINGS

Consolidated first quarter 2008 revenues increased by \$43.0 million (6.2%) over the first quarter of 2007. This increase was primarily attributable to a \$24.8 million (7.2%) increase in revenues in the Utilities segment, and a \$32.2 million (17.7%) increase in revenues in the Global segment. These increases were partially offset by a \$7.1 million (3.4%) decrease in revenues in the Power Generation segment. Revenues in the Corporate and Other segment were substantially unchanged.

**Increases in revenues** were primarily attributable to increased international operations in ATCO Frontec, AUC approved interim customer rates associated with the 2008 and 2009 general rate application (ATCO Gas Interim Rates), the impact of customer growth, higher franchise fees collected on behalf of cities and municipalities and colder temperatures in ATCO Gas and higher sales of natural gas on a no-margin basis for storage operations in ATCO Midstream. Higher AUC approved customer rates associated with the 2007 and 2008 general tariff application in ATCO Electric (ATCO Electric GTA) also contributed to these increased revenues. These increases were partially offset by the unplanned outage at the Barking generating plant in ATCO Power's U.K. operations, net of insurance proceeds (Barking Outage, refer to Segmented Information - Power Generation - Unplanned Outage at Barking Generating Plant section).

**Earnings** for the three months ended March 31, 2008 were \$150.0 million, an increase of \$15.3 million (11.4%), over the first quarter of 2007, including the impact of the adjustments identified in the Significant Non-Operating Financial Items section.

For the three months ended March 31, 2008, **Adjusted Earnings** were \$149.7 million, an increase of \$19.5 million (15.0%), over the same period of 2007. The primary reasons for the increased Adjusted Earnings were the impact of customer growth and ATCO Gas Interim Rates net of cost increases, the change in quarterly depreciation expense allocation (ATCO Gas Depreciation Expense Adjustment, refer to Segmented Information - ATCO Gas section) and colder temperatures in ATCO Gas, higher margins and prices for NGL extraction in ATCO Midstream and increased international operations in ATCO Frontec. These increases were partially offset by the timing and demand of natural gas storage capacity sold and lower storage fees in ATCO Midstream.

**Interest and other income decreased** for the first quarter of 2008 by \$6.2 million to \$14.0 million mainly due to the Mark-to-Market Adjustment in ATCO Power.

## CONSOLIDATED EXPENSES

(\$ millions)	For the Three Months Ended March 31		
	2008	2007	Change to 2008 (2008-2007)
Operating expenses:			
Natural gas supply	14.9	3.1	380.6%
Purchased power	15.3	13.8	10.9%
Operation and maintenance	244.5	240.6	1.6%
Selling and administrative	51.9	42.4	22.4%
Franchise fees	62.7	58.5	7.2%
	<u>389.3</u>	<u>358.4</u>	8.6%
Depreciation and amortization	90.1	91.9	(2.0)%
Interest	55.9	54.6	2.4%
Dividends on equity preferred shares	8.1	8.8	(8.0)%
Income taxes	61.2	69.4	(11.8)%

**Operating expenses** for the three months ended March 31, 2008, increased by \$30.9 million (8.6%) over the same period in 2007. Natural gas supply increased as a result of higher purchases of natural gas for storage operations in ATCO Midstream. Operation and maintenance expenses were higher primarily as a result of the recording of GHG emission fees by Alberta Power (2000) recovered from its customers in accordance with the PPAs which cover costs of the recent changes in environmental laws (refer to Business Risks - Environmental Matters section), offset by the impact of the Barking Outage. Selling and administrative expenses increased primarily as a result of the impact of inflation, increased salaries and project development costs. Higher franchise fees were collected in ATCO Gas.

For the three months ended March 31, 2008, **depreciation and amortization expenses decreased** by \$1.8 million (2.0%) over the same period in 2007 primarily due to the ATCO Gas Depreciation Expense Adjustment, partially offset by capital additions in 2007 and 2008 in the Utilities segment.

**Interest expense** for the first quarter of 2008 **increased** by \$1.3 million (2.4%) over the first quarter of 2007, primarily due to increased interest on new financings issued in 2007 to fund capital expenditures in the Utilities segment, partially offset by the repayment of ATCO Power's non-recourse financings in 2008 and 2007.

For the three months ended March 31, 2008, **income taxes decreased** by \$8.2 million (11.8%) over the first quarter of 2007 primarily due to lower corporate income tax rates and lower future income taxes in the Utilities segment resulting from the ATCO Electric GTA, which required ATCO Electric, in the third quarter of 2007, to change its income tax methodology for the recording of Federal Income Taxes. This change in methodology does not affect earnings as ATCO Electric's revenues and income tax expense were reduced by similar amounts. Offsetting this decrease was higher earnings.

## SEGMENTED INFORMATION

(\$ millions)	For the Three Months Ended					Total
	March 31					
	Utilities	Power Generation	Global Enterprises	Corporate & Other	Intersegment Eliminations	
<b>2008</b>						
Revenues	369.5	198.8	214.1	3.2	(45.0)	740.6
Earnings attributable to Class A and Class B shares	66.5	35.0	48.9	(0.1)	(0.3)	150.0
Mark-to-Market Adjustment <sup>(1)</sup>	-	(0.3)	-	-	-	(0.3)
Adjusted Earnings	66.5	34.7	48.9	(0.1)	(0.3)	149.7
<b>2007</b>						
Revenues	344.7	205.9	181.9	3.3	(38.2)	697.6
Earnings attributable to Class A and Class B shares	49.1	43.4	42.8	0.2	(0.8)	134.7
Mark-to-Market Adjustment <sup>(1)</sup>	-	(4.5)	-	-	-	(4.5)
Adjusted Earnings	49.1	38.9	42.8	0.2	(0.8)	130.2

**Note:**

<sup>(1)</sup> Refer to Significant Non-Operating Financial Items section for a description of the adjustments.

### Utilities

Utilities revenues in the first quarter of 2008 **increased** by \$24.8 million (7.2%) from the first quarter of 2007. Items that contributed to increased revenues were the ATCO Gas Interim Rates, the impact of customer growth, higher franchise fees collected on behalf of cities and municipalities and colder temperatures in ATCO Gas and the impact of the ATCO Electric GTA.

Temperatures in ATCO Gas in the first quarter of 2008 were 0.3% warmer than normal, compared to 5.1% warmer than normal in the first quarter of 2007.

In the first quarter of 2008, **earnings and Adjusted Earnings** were \$66.5 million, an increase of \$17.4 million (35.4%) over the first quarter of 2007. The primary reasons for the increase were the ATCO Gas Interim Rates net of cost increases, customer growth, the ATCO Gas Depreciation Expense Adjustment and colder temperatures in ATCO Gas and the impact of the ATCO Electric GTA.

## **Depreciation Expense Adjustment**

Effective January 1, 2008, ATCO Gas prospectively changed the allocation of annual depreciation and amortization expense on a quarterly basis. The method of quarterly allocation has been changed from an estimate based on the timing of revenues to the straight line basis, resulting in a reduction to ATCO Gas' depreciation and amortization expense of \$7.1 million in the first quarter of 2008 as compared to the depreciation and amortization expense recorded in the first quarter of 2007. The annual depreciation and amortization expense continues to be on the straight line basis and therefore this change does not affect the total depreciation and amortization expense recognized for the year. This change in allocation resulted in an increase to ATCO Gas' earnings of \$4.9 million for the three months ended March 31, 2008, compared to the three months ended March 31, 2007.

## ***Regulatory Developments***

The AUC administers acts and regulations regarding rates, financing, accounting, construction, operation, and service area. The return on common equity for regulated utility operations was established by the AUC using its standardized rate of return methodology for utilities in Alberta. The rate of return was established in 2004 and is adjusted annually by 75% of the change in long term Government of Canada bond yield, similar to the adjustment mechanism used by the National Energy Board. The rate of return for 2007 was 8.51% and for 2008 has been set at 8.75%. If no rate applications are filed for a particular year, then there will be no adjustment to the common equity rate of return for that year.

In February 2008, the AUC initiated a generic proceeding to determine if the standardized rate of return methodology established in 2004 should be reviewed. This proceeding will determine if the current methodology continues to yield a fair return on equity for utility companies. Furthermore the AUC is addressing whether the existing AUC approved capital structures for all utility companies should be reviewed in a generic proceeding or, alternatively, to continue to address changes in capital structure in utility company specific rate applications. A decision from the AUC on whether to proceed, and how to proceed, on these issues is expected in the second quarter of 2008.

## **Benchmarking**

ATCO Electric, ATCO Gas, and ATCO Pipelines purchase information technology services from ATCO I-Tek. ATCO Electric and ATCO Gas also purchase customer care and billing services from ATCO I-Tek. The recovery of these costs in customer rates is subject to AUC approval. Since 2003, the costs have been approved on a placeholder basis, and are subject to final AUC approval after completion of a collaborative benchmarking process. The benchmarking report, dealing with the period of 2003-2007, was received on January 23, 2008. In February 2008 the benchmarking report along with an application to adjust the placeholder rates was filed with the AUC. In April 2008, an agreement with the customer group concerning the adjustment to placeholders was submitted to the AUC for approval. Should this agreement be approved by the AUC it is not expected to have a material impact on consolidated earnings. An AUC decision on the agreement is expected in the second quarter of 2008.

Effective January 1, 2008, price changes for ATCO I-Tek's information technology services to ATCO Electric, ATCO Gas and ATCO Pipelines were implemented. Price changes relating to ATCO I-Tek's customer care and billing contract services for ATCO Gas and ATCO Electric were effective March 1, 2008. For 2008 and beyond, a new regulatory process will be set up to approve rates for information technology and customer care and billing services provided by ATCO I-Tek that can be included in customer rates.

## **Utility Asset Disposition Rate Review Proceeding**

In March 2008, the AUC initiated a proceeding to consider the potential rate related implications for Alberta utilities of the Supreme Court of Canada's 2006 Calgary Stores Block Decision (Stores Block Decision). The Calgary Stores Block matter involved the disposition by ATCO Gas of its Calgary Stores Block facility and adjacent property in downtown Calgary. The Supreme Court held that utility shareholders were entitled to receive all proceeds resulting from the sale.

The AUC has indicated that the Stores Block Decision may have various implications with respect to regulation of Alberta utility companies. The AUC would like to develop a comprehensive understanding of these potential implications through this proceeding and then apply this understanding in a consistent manner in future decisions. At the conclusion of this proceeding, the AUC will issue a decision reflecting its conclusions with respect to the interpretation and application of the guidance provided by the courts and the resulting implications to be used in future proceedings.

## ***ATCO Gas***

### **Deferred Gas Account**

ATCO Gas filed an application with the AUC to address, among other things, corrections required to historical transportation imbalances (the process whereby third party natural gas supplies are reconciled to amounts actually shipped in the Company's pipelines) that have impacted ATCO Gas' deferred gas account. In April 2005, the AUC issued a decision resulting in a 15% decrease in the transportation imbalance adjustments sought by ATCO Gas. The City of Calgary filed a leave to appeal the AUC's decision. ATCO Gas filed a cross appeal of the AUC's decision. On July 7, 2006, the Alberta Court of Appeal issued its decision granting the City of Calgary's leave to appeal on the question of whether the AUC erred in law or jurisdiction in assuming that it had the authority to allow recovery in 2005 of costs relating to prior years. At a hearing on April 13, 2007, the Alberta Court of Appeal declined to consider the City of Calgary's appeal and referred the jurisdictional question back to the AUC. On January 3, 2008, the AUC issued a decision confirming its jurisdiction to approve the prior period adjustment it had approved previously. In February 2008, the City of Calgary filed a Leave to Appeal the January 3, 2008 decision with the Alberta Court of Appeal.

### ***Other Matters***

The Company 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.

## **Power Generation**

Power Generation's first quarter 2008 revenues decreased by \$7.1 million (3.4%) over the first quarter of 2007, primarily as a result of the impact of the Barking Outage. This decrease was partially offset by the recording of GHG emission fees by Alberta Power (2000) recovered from its customers in accordance with the PPAs which cover costs of the recent changes in environmental laws (refer to Business Risks – Environmental Matters section).

Earnings for the three months ended March 31, 2008 were \$35.0 million, a decrease of \$8.4 million (19.4%) over the first quarter of 2007 including the impact of the adjustments identified in the Significant Non-Operating Financial Items section.

Adjusted Earnings for the three months ended March 31, 2008, were \$34.7 million, a decrease of \$4.2 million (10.8%) over the first quarter of 2007, primarily due to lower earnings resulting from reduced availability at the Barking generating plant and the impact of lower U.K. exchange rates on conversion of earnings to Canadian dollars in ATCO Power's U.K. operations. These decreases were primarily offset by the recognition of insurance proceeds from the Barking Outage.

Availability of Power Generation's generating plants by geographic region is set forth below:

	For the Three Months Ended March 31		
	2008	2007	Change to 2008 (2008-2007)
ATCO Power			
Canada	98.6%	94.6%	4.0%
U.K. <sup>(1)</sup>	67.6%	97.9%	(30.3)%
Australia	99.9%	97.0%	2.9%
Alberta Power (2000)			
Canada	92.0%	94.9%	(2.9)%

**Note:**

<sup>(1)</sup> The lower availability in 2008 reflects the outage at the Barking generating plant which commenced on October 25, 2007. On March 6, 2008, ATCO Power announced that the plant had returned to service.

***Unplanned Outage at Barking Generating Plant***

On October 25, 2007, ATCO Power's 1,000 MW Barking generating plant in the U.K. experienced an unplanned outage due to failure in a steam turbine generator. On March 6, 2008, ATCO Power announced that the plant had returned to service. This outage reduced the plant capacity to approximately 400 MWs during this period. The financial impact of the failure, prior to the recognition of insurance proceeds, was a decrease to ATCO Power's earnings of \$13.4 million, (\$8.6 million related to 2007 and \$4.8 million related to the three months ended March 31, 2008). During the three month period ended March 31, 2008, \$8.1 million of business interruption insurance proceeds were recorded, (\$3.3 million related to 2007 and \$4.8 million related to the three months ended March 31, 2008). ATCO Power was able to recognize these insurance proceeds as a result of the certainty supporting the allocation of the proceeds.

The financial impact of the failure, including the recognition of the insurance proceeds, was a decrease to ATCO Power's earnings of \$8.6 million in 2007 and increased earnings by \$3.3 million for the three months ended March 31, 2008.

Discussions are ongoing with insurers and their advisers to arrive at a final settlement. At this time, an amount for the final insurance settlement cannot be determined.

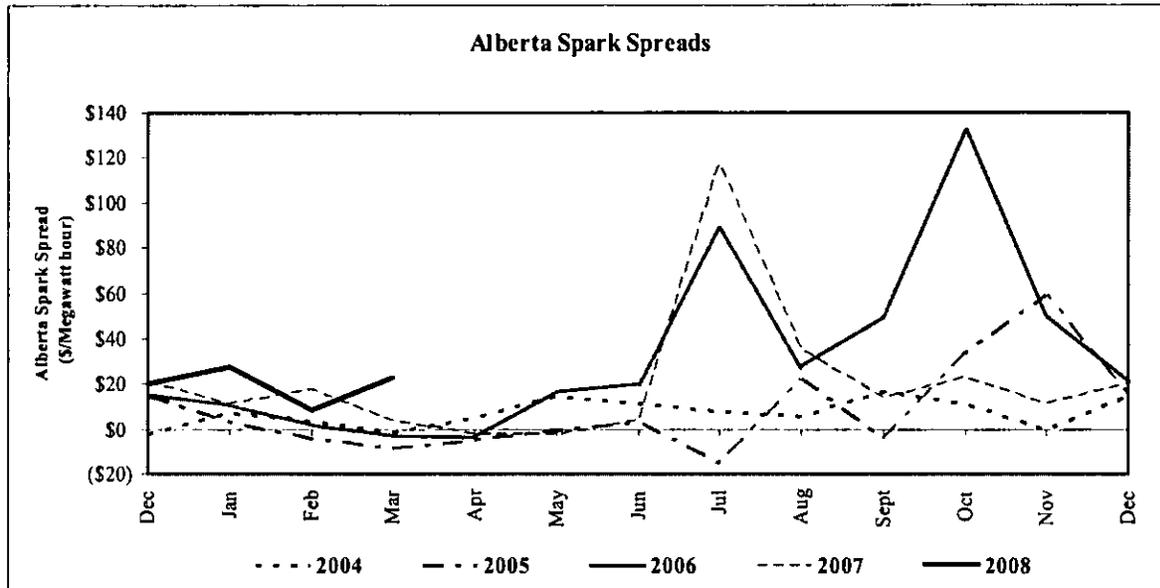
***Other Power Generation Developments***

On January 30, 2008, Unit 4 at Alberta Power (2000)'s 150 MW 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) has claimed relief under the force majeure provisions of its PPA. These provisions provide protection for the operator against mechanical failures which last more than forty-two days, except for circumstances where it is found that the operator failed to follow good operating practices. If the claim for relief is not successful, the cash impact will be approximately \$11.8 million. Due to the availability incentive pool deferral account, Alberta Power (2000) does not expect any material earnings impact as a result of this outage.

The majority of ATCO Power's electricity sales to the Alberta Power Pool are from natural gas-fired generating plants, and as a result earnings are affected by natural gas prices and Alberta Power Pool prices. Alberta Power Pool electricity prices averaged \$76.95 per MWh for the three months ended March 31, 2008, compared to average prices of \$63.29 per MWh in corresponding period of 2007. Natural gas prices averaged \$7.56 per GJ, compared to average prices of \$7.00 per GJ in the first quarter of 2007. These electricity and natural gas prices resulted in an average spark spread of \$20.23 per MWh for the three months ended March 31, 2008, up from \$10.76 per MWh in first three months of 2007.

Changes in spark spread affect the results of approximately 406 MW of plant capacity owned in Alberta by ATCO Power and Alberta Power (2000) out of a total Alberta-owned capacity of approximately 1,709 MWs and approximately 70 MW of plant capacity owned in the U.K. by ATCO Power out of a total U.K.-owned capacity of approximately 262 MW and a worldwide owned capacity by ATCO Power and Alberta Power (2000) of approximately 2,474 MW.

The following chart demonstrates the volatility of Alberta spark spreads experienced by ATCO Power for the period of December 2003 to March 2008.



The Company's merchant power sales are affected by volatility in power and natural gas prices caused by market forces such as fluctuating supply and demand for electricity. The Company manages this volatility through its adoption of asset optimization strategies for bidding its merchant power into both the Alberta and U.K. power markets.

**Alberta Power (2000)**

Under the terms of the PPAs, Alberta Power (2000) is subject to an incentive/penalty regime related to generating unit availability. Incentives are payable by the PPA counterparties for availability in excess of predetermined targets, and penalties are payable by Alberta Power (2000) when the availability targets are not achieved.

During the three months ended March 31, 2008, the deferred availability incentive account increased by \$0.9 million to \$42.7 million, mainly due to incentives received in the first quarter due to good availability, partially offset by penalties paid for the Battle River generating plant forced outage. During the three months ended March 31, 2008, the amortization of deferred availability incentives, recorded in revenues, increased by \$0.1 million to \$3.0 million, compared to the corresponding period in 2007.

**Greenhouse Gas Emissions**

In 2007, Alberta Power (2000) began to record GHG emissions fees recovered from its customers in accordance with the PPAs which cover costs of recent changes in environmental laws (refer to Business Risks - Environmental Matters section). As the collection of the majority of these fees is on a flow-through basis, there is minimal impact on the earnings of Alberta Power (2000).



## Global Enterprises

Global Enterprises revenues increased by \$32.2 million (17.7%) for the three months ended March 31, 2008, as compared with the three months ended March 31, 2007. Items that increased revenues included increased international operations in ATCO Frontec and higher sales of natural gas on a no-margin basis for storage operations and higher prices and volumes of natural gas processed for NGL extraction in ATCO Midstream. These increases were partially offset by lower storage revenues due to the timing and demand of storage capacity sold and lower storage fees in ATCO Midstream.

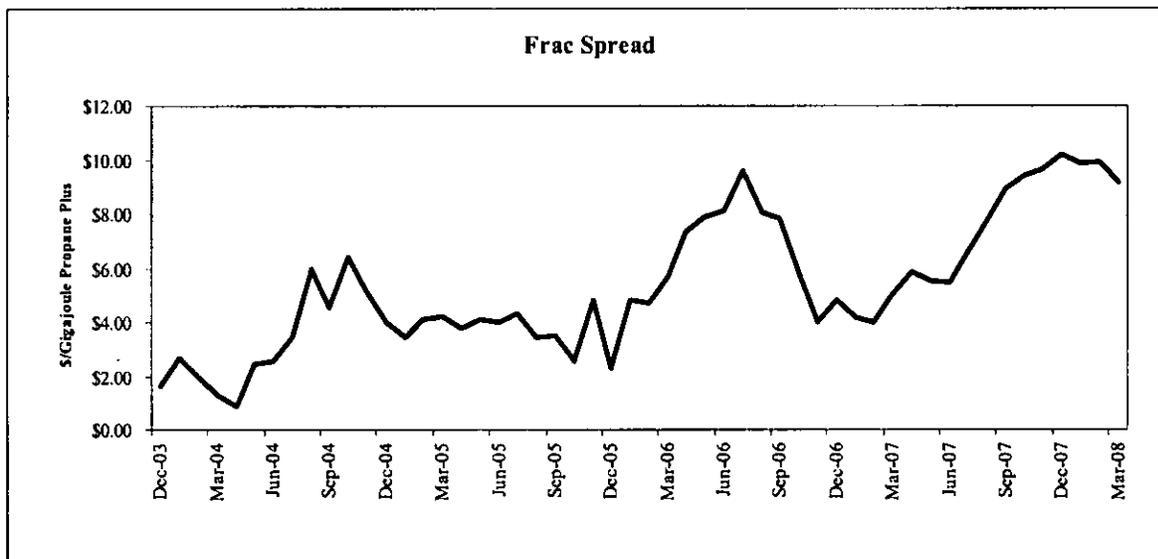
Earnings and Adjusted Earnings for the three months ended March 31, 2008 were \$48.9 million, an increase of \$6.1 million (14.3%) over the first quarter of 2007. The primary reasons for the higher earnings in the first quarter of 2008 were higher margins and prices for NGL extraction in ATCO Midstream and increased international operations in ATCO Frontec. These increases were partially offset by lower storage fees in ATCO Midstream.

### ATCO Midstream

#### NGL Extraction Operations

A portion of ATCO Midstream's revenues is derived from the extraction of NGL from natural gas and the marketing of NGL products under supply or marketing contracts. Total licensed capacity of ATCO Midstream's NGL plants is 371 million cubic feet per day.

ATCO Midstream's NGL extraction operations involve the extraction of NGL from natural gas and the replacement (on a heat content equivalent basis) of the NGL extracted with shrinkage gas. For Propane Plus, the difference between the price of natural gas and the value of the liquids extracted is commonly referred to as the frac spread. Frac spreads vary with fluctuations in the price of natural gas and the prices of the applicable liquid extracted. Frac spreads can be volatile, as shown in the following graph, which illustrates monthly frac spreads during the period of December 2003 to March 2008.



**Note:**

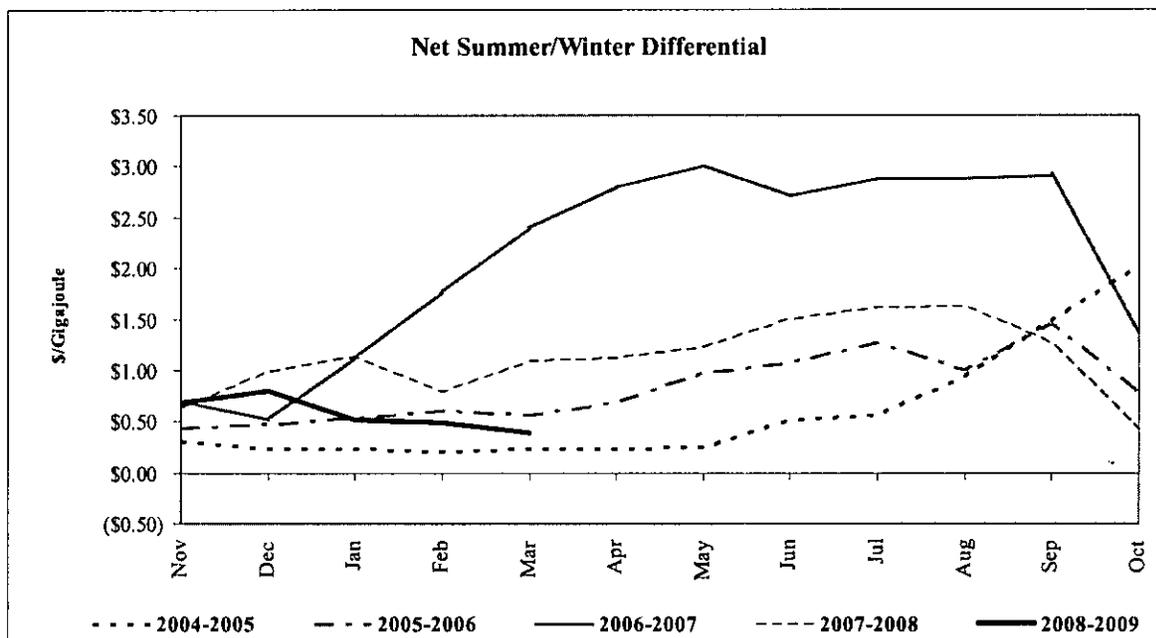
(1) The above chart represents measurements of frac spreads in Alberta, as reported by an independent consultant.

Fluctuations in frac spreads affect ATCO Midstream's earnings and cash flow from operations. A \$1.00 change in the average annual frac spread impacts annual earnings by approximately \$6 million.

## Storage Operations

The majority of ATCO Midstream's natural gas storage revenues come from seasonal differences (summer/winter) in the price of natural gas (price differentials). Recognition of ATCO Midstream's revenues is determined through the terms of the contractual arrangements.

Summer/winter natural gas price differentials can be volatile, as shown in the following graph, which illustrates a range of seasonal spreads experienced during the storage periods from 2004-2005 to 2008-2009. Price differentials at any point in time may not always be indicative of the storage revenue and earnings for the same period due to the types of contracts and the timing of the revenue recognition associated with these contracts.



ATCO Midstream faces risks associated with changes to seasonal natural gas commodity price differentials. To mitigate this risk, ATCO Midstream maintains portfolios of varied contracts, delivery terms, capacities and customers for its storage operations.

## ATCO Frontec

### Recent Developments

On April 14, 2008, ATCO Frontec announced that the first phase of the 500-room Creeburn Lake Lodge in Fort McMurray, Alberta had opened for operations. Due to the demand for lodging, evaluation is underway to consider doubling capacity to 1,000 rooms under the existing joint venture with the Fort McKay First Nation.

On April 28, 2008, ATCO Frontec and their partner, the Fort McKay First Nation, announced that they have been selected by Suncor Energy to create and operate a 1,148-room accommodation complex to support oil sands development north of Fort McMurray. ATCO Structures will supply the rooms in modular units. The complex is expected to open on May 25, 2008, and remain in place for a one-year period.

## Corporate and Other

Earnings for the first quarter of 2008 were substantially unchanged.

## Liquidity and Capital Resources

A major portion of the Company's operating income and funds generated by operations is generated from its utility operations. Canadian Utilities and its wholly owned subsidiary, CU Inc., use commercial paper borrowings and short term bank loans to provide flexibility in the timing and amounts of long term financing.

SUMMARY OF CASH FLOW (\$ millions)	For the Three Months Ended March 31		
	2008	2007	Change to 2008 (2008-2007)
<b>Cash position, beginning of period</b>	<b>747.2</b>	<b>798.8</b>	<b>(6.5)%</b>
Cash provided by (used in)			
Operating activities	<b>256.6</b>	326.4	(21.4)%
Investing activities	<b>(121.9)</b>	(124.4)	(2.0)%
Financing activities	<b>(70.8)</b>	(61.8)	14.6%
Foreign currency impact on cash balances	<b>1.7</b>	(0.4)	525.0%
<b>Cash position, end of period</b>	<b>812.8</b>	<b>938.6</b>	<b>(13.4)%</b>

### OPERATING ACTIVITIES

For the three months ended March 31, 2008, **cash flow from operations** was \$256.6 million, a **decrease** of \$69.8 million (21.4%) over the same period in 2007, primarily due to changes in non-cash working capital. **Funds generated by operations** was \$243.2 million, an **increase** of \$11.0 million (4.7%) over the first quarter of 2007, primarily due to higher earnings partially offset by decreased deferred availability incentives in Alberta Power (2000).

### INVESTING ACTIVITIES

For the three months ended March 31, 2008, cash used in **investing activities** **decreased** 2.0%, primarily due to increased contributions by utility customers for extensions to plant, changes in non-cash working capital and changes in non-current deferred electricity costs. These decreases were partially offset by higher capital expenditures in 2008. Capital expenditures increased by \$60.8 million primarily due to increased investment in regulated electric distribution and transmission and regulated natural gas distribution projects and increased investment in ATCO Frontec projects.

**Capital expenditures** to maintain capacity, meet planned growth, and fund future development activities are expected to be approximately \$0.9 billion in 2008, an increase of 28.4% from 2007. The majority of these expenditures are uncommitted and relate primarily to the Utility segment. Capital expenditures for 2008 to 2010 are expected to be approximately \$3.0 billion for the Utilities segment.

### FINANCING ACTIVITIES

In the first quarter of 2008, the Company had **net debt decreases** of \$32.5 million due to repayments of non-recourse long term debt.

There were **no purchases** of Canadian Utilities' Class A non-voting shares under the normal course issuer bid and **no issues** of Canadian Utilities Class A non-voting shares due to stock option exercises in the first quarter of 2008.

On May 23, 2006, the company commenced a **normal course issuer bid** for the purchase of up to 5% of the outstanding Class A shares. The bid expired on May 22, 2007. Over the life of the bid, 1,679,700 shares were purchased; all of which were purchased in 2006. On May 23, 2007, the company commenced a new normal course issuer bid for the purchase of up to 5% of the outstanding Class A shares. The bid will expire on May 22, 2008. From May 23, 2007, to April 25, 2008, 157,800 shares have been purchased all of which were purchased in 2007.

Total **dividends** for the three months ended March 31, 2008 increased by \$3.5 million (9.2%) to \$41.7 million over the same period in 2007. **Dividends paid to Class A and Class B share owners** for the three months ended March 31, 2008 increased by \$0.0275 to \$0.3325 per share. The Company has increased its annual common share dividend each year since its inception as a holding company in 1972. The payment of any dividend is at the discretion of the Board of Directors and depends on the financial condition of the Company and other factors.

#### FOREIGN CURRENCY TRANSLATION

**Foreign currency translation** for the three months ended March 31, 2008, positively impacted the Company's cash position by \$2.1 million over the same period in 2007, as a result of changes in U.K. and Australian exchange rates used for balance sheet translations.

#### SHORT TERM INVESTMENT POLICY

The Company has a long standing policy not to invest any of its cash balances in asset-backed securities, consequently, the recent turmoil in the asset-backed commercial paper market has had no impact on the Company.

#### LINES OF CREDIT

At March 31, 2008, the Company had the following credit lines that enable it to obtain funding for general corporate purposes.

	<b>Total</b>	<b>Used</b>	<b>Available</b>
(\$ millions)			
Long term committed	326.0	48.2	277.8
Short term committed	600.0	52.2	547.8
Uncommitted	74.0	20.5	53.5
<b>Total</b>	<b>1,000.0</b>	<b>120.9</b>	<b>879.1</b>

The amount and timing of future financings will depend on market conditions and the specific needs of the Company.

#### CONTRACTUAL OBLIGATIONS

Contractual obligations disclosed in the 2007 MD&A remain substantially unchanged as at March 31, 2008.

#### CURRENT AND LONG TERM FUTURE INCOME TAX LIABILITY

**Current and long term future income tax liabilities** of \$159.9 million at March 31, 2008, are attributable to differences between the financial statement carrying amounts of assets and liabilities and their tax bases. These differences result primarily from recognizing revenue and expenses in different years for financial and tax reporting purposes. Future income taxes will become payable when such differences are reversed through the settlement of liabilities and realization of assets.

## Share Capital

The equity securities of the Company consist of Class A shares and Class B shares

At April 25, 2008, the Company had outstanding 81,571,286 Class A shares, 43,723,384 Class B shares and options to purchase 1,445,700 Class A shares.

## **Business Risks**

Information contained in the 2007 MD&A related to Business Risks which is not discussed in this section remains substantially unchanged.

### **ENVIRONMENTAL MATTERS**

The Company's operating subsidiaries and the industries in which they operate are subject to extensive federal, provincial and local environmental protection laws concerning emissions to the air, discharges to surface and subsurface waters, land use activities and the handling, manufacturing, processing, use, emission and disposal of materials and waste products.

On March 10, 2008, the Government of Canada released details on its regulatory framework originally announced on April 26, 2007. Electricity sector companies must achieve an initial GHG reduction in 2010 of 18% from their company-wide emission intensity, with a 2% continuous improvement required annually thereafter. New facilities (2004 or later) are allowed a 3-year grace period after which they must improve emission intensity by 2% per year below the clean fuel standard. For cogeneration facilities, steam production GHG emissions are subjected to the reduction target and electricity production emissions are compared to a deemed emission target. Compliance may be achieved by reduction or capture, limited investment in a technology fund, emission credit trading, purchase of offset credits, *Kyoto Protocol Clean Development Mechanisms* (maximum 10%) and very limited opportunity for early action credits. The government reiterated that it still intends to transition to fixed emission caps in the 2020 to 2025 time period. Final regulations on GHG emissions are expected to be published in the fall of 2009.

The federal government also announced plans to set targets to regulate air pollutants (sulphur dioxide, nitrogen oxides, particulate matter, volatile organic compounds and mercury) from industrial sources by 2015. Amendments to the air pollutant section of the regulatory framework are expected in the spring of 2008.

Alberta legislation requires large emitters to reduce GHG emission intensities by 12% starting July 1, 2007. Baseline emission values for Alberta Power (2000)'s and ATCO Power's facilities have been established and compliance reports with payments for 2007 GHG obligations were submitted to Alberta Environment on March 31, 2008. For Alberta Power (2000)'s coal-fired units, the PPA counterparties provided payments for their 2007 GHG obligations.

Alberta regulation requires coal-fired generating plant operators, including Alberta Power (2000), to monitor mercury emissions and capture at least 70% of the mercury in coal emissions commencing January 1, 2011. A full scale test is planned for Unit 5 at the Battle River generating plant in 2008 to evaluate the mercury control method to ensure the capture objective can be met.

It is anticipated that the PPAs will allow Alberta Power (2000) to recover most of the costs associated with complying with both the Federal and Alberta regulations during the PPA term.

Due to lower emissions per unit of output, ATCO Power's gas-fired generating units have minimal exposure to changes in GHG regulations, and therefore it is anticipated that there will not be a material impact from complying with the Alberta regulations. ATCO Power is currently evaluating the impact of complying with the federal regulations.

### **REGULATED OPERATIONS**

#### **Temperatures**

Temperature fluctuations have a significant impact on throughput in ATCO Gas. As approximately 50% of ATCO Gas' delivery charge is recovered based on throughput, ATCO Gas' revenues and earnings are sensitive to temperature. Temperatures that are 10% warmer or colder than normal temperatures impact ATCO Gas' annual earnings by approximately \$9.7 million.

As part of its 2008 and 2009 general rate application filed with the AUC in November 2007, ATCO Gas is seeking approval from the AUC to set up a deferral account mechanism which would, if approved, eliminate the impact of temperature on ATCO Gas' earnings.

## **Changes in Accounting Policies**

Effective January 1, 2008, the Company adopted the Canadian Institute of Chartered Accountants (CICA) recommendations for capital disclosures which require disclosure of qualitative and quantitative information regarding the Company's objectives, policies and processes for managing capital (refer to Note 6 to the unaudited interim consolidated financial statements for the three months ended March 31, 2008). The recommendation requires additional disclosure in the notes to the financial statements.

Effective January 1, 2008, the Company adopted the CICA recommendations pertaining to disclosure and presentation of financial instruments which require disclosure of the classification of the Company's financial instruments and additional qualitative and quantitative information regarding the nature and extent of risks arising from financial instruments to which the Company is exposed (refer to Note 7 to the unaudited interim consolidated financial statements for the three months ended March 31, 2008). The recommendation requires additional disclosure in the notes to the financial statements.

Effective January 1, 2008, the Company prospectively adopted the CICA recommendations for measurement and disclosure of inventories which provide guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value, and on the cost formulas that are used to assign costs to inventories. The recommendations also clarified that major spare parts are to be included in property, plant and equipment. As a result of adopting these recommendations, the Company reclassified \$1.8 million of inventories to property, plant, and equipment related to major spare parts on January 1, 2008 (refer to Note 1 to the unaudited interim consolidated financial statements for the three months ended March 31, 2008).

## **FUTURE ACCOUNTING CHANGES**

The CICA has issued new accounting recommendations for goodwill and intangible assets which establish standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets (including internally developed intangible assets). These recommendations are effective for the Company beginning January 1, 2009. Goodwill and intangible assets that are not assets as defined by GAAP will be derecognized and charged to the equity of the Company at that date. The Company is evaluating the effect of these recommendations on its financial statements.

In 2006, the CICA announced that accounting standards in Canada are to converge with International Financial Reporting Standards (IFRS). The Company will need to begin reporting under IFRS in the first quarter of 2011 with comparative data for the prior year. IFRS uses a conceptual framework similar to GAAP, but there are significant differences on recognition, measurement and disclosures that will need to be addressed. The Company is currently assessing the impact of these standards on its financial statements.

**Form 52-109F2 - Certification of Interim Filings**

I, Karen M. Watson, Senior Vice President & Chief Financial Officer of Canadian Utilities Limited, certify that:

1. I have reviewed the interim filings (as this term is defined in Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) of **Canadian Utilities Limited**, (the issuer) for the interim period ending March 31, 2008;

2. Based on my knowledge, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings;

3. Based on my knowledge, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the interim filings;

4. The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the issuer, and we have:

(a) designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reasonable assurance that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the interim filings are being prepared; and

(b) designed such internal control over financial reporting, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP; and

5. I have caused the issuer to disclose in the interim MD&A any change in the issuer's internal control over financial reporting that occurred during the issuer's most recent interim period that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

Date: April 29, 2008

*Original signed by Karen M. Watson*

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Karen M. Watson

Senior Vice President  
& Chief Financial Officer

**Form 52-109F2 - Certification of Interim Filings**

I, Nancy C. Southern, President & Chief Executive Officer of Canadian Utilities Limited, certify that:

1. I have reviewed the interim filings (as this term is defined in Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) of **Canadian Utilities Limited**, (the issuer) for the interim period ending March 31, 2008;

2. Based on my knowledge, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings;

3. Based on my knowledge, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the interim filings;

4. The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the issuer, and we have:

(a) designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reasonable assurance that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the interim filings are being prepared; and

(b) designed such internal control over financial reporting, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP; and

5. I have caused the issuer to disclose in the interim MD&A any change in the issuer's internal control over financial reporting that occurred during the issuer's most recent interim period that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

Date: April 29, 2008

*Original signed by Nancy C. Southern*

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Nancy C. Southern

President & Chief Executive Officer



# News Release

CANADIAN UTILITIES LIMITED

Corporate Head Office: 1400, 909 - 11 Avenue S.W., Calgary, Alberta T2R 1N6 Tel: (403) 292-7500

For Immediate Release  
April 21, 2008

## Canadian Utilities Limited Eligible Dividends

CALGARY, Alberta – The Board of Directors of Canadian Utilities Limited has declared the following quarterly dividends:

Shares	TSX Stock Symbol	Dividend Per Share (\$)	Record Date (2008)	Payment Date (2008)
Class A non-voting	CU	0.3325	07-May	01-Jun
Class B common	CU.X	0.3325	07-May	01-Jun
Series W 5.80%	CU.PR.A	0.3625	07-May	01-Jun
Series X 6.00%	CU.PR.B	0.3750	07-May	01-Jun

These dividends are eligible dividends for Canadian income tax purposes.

Canadian Utilities Limited is part of the ATCO Group of Companies ([www.atco.com](http://www.atco.com)). Canadian Utilities Limited is a Canadian-based worldwide organization of companies with assets of approximately \$7.3 billion and more than 6,500 employees, actively engaged in three main business divisions: Power Generation, Utilities (natural gas and electricity transmission and distribution) and Global Enterprises (technology, logistics and energy services).

More information about Canadian Utilities Limited can be found on its website [www.canadian-utilities.com](http://www.canadian-utilities.com).

For further information, please contact:

K.M. (Karen) Watson  
Senior Vice President & Chief Financial Officer  
Canadian Utilities Limited  
(403) 292-7502

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### Forward-Looking Information:

Certain statements contained in this news release may constitute forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "plan", "expect", "may", "will", "intend", "should", and similar expressions. These statements involve 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 statements. The Corporation believes that the expectations reflected in the forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements should not be unduly relied upon.

The Corporation's actual results could differ materially from those anticipated in these forward-looking statements as a result of regulatory decisions, competitive factors in the industries in which the Corporation operates, prevailing economic conditions, and other factors, many of which are beyond the control of the Corporation.

The forward-looking statements contained in this news release represent the Corporation's expectations as of the date hereof, and are subject to change after such date. The Corporation disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required under applicable securities regulations.



# News Release

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CANADIAN UTILITIES LIMITED

Corporate Head Office: 1400, 909 - 11 Avenue S.W., Calgary, Alberta T2R 1N6 Tel: (403) 292-7500

For Immediate Release

April 22, 2008

## Canadian Utilities Limited to Release First Quarter Results Tuesday, April 29, 2008

CALGARY, Alberta – Canadian Utilities Limited (TSX: CU, CU.X) will release its financial results for the first quarter ended March 31, 2008 on Tuesday, April 29, 2008. The news release will be distributed via [www.marketwire.com](http://www.marketwire.com) and the results, including Financial Statements and Management's Discussion & Analysis, will be posted on [www.canadian-utilities.com](http://www.canadian-utilities.com).

Canadian Utilities Limited is part of the ATCO Group of Companies ([www.atco.com](http://www.atco.com)). Canadian Utilities Limited is a Canadian-based worldwide organization of companies with assets of approximately \$7.3 billion and more than 6,500 employees, actively engaged in three main business divisions: Power Generation; Utilities (natural gas and electricity transmission and distribution) and Global Enterprises (technology, logistics and energy services).

More information about Canadian Utilities Limited can be found on its website [www.canadian-utilities.com](http://www.canadian-utilities.com).

For further information, please contact:

K.M. (Karen) Watson  
Senior Vice President & Chief Financial Officer  
Canadian Utilities Limited  
(403) 292-7502

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**Forward-Looking Information:**

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The Corporation's actual results could differ materially from those anticipated in these forward-looking statements as a result of regulatory decisions, competitive factors in the industries in which the Corporation operates, prevailing economic conditions, and other factors, many of which are beyond the control of the Corporation.

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# News Release

CANADIAN UTILITIES LIMITED

Corporate Head Office: 1400, 909 - 11 Avenue S.W., Calgary, Alberta T2R 1N6 Tel: (403) 292-7500

For Immediate Release

April 29, 2008

## CANADIAN UTILITIES REPORTS 11% INCREASE IN FIRST QUARTER EARNINGS

CALGARY, Alberta – Canadian Utilities Limited (TSX: CU, CU.X)

**Earnings of \$150.0 million (\$1.20 per share) for the three months ended March 31, 2008**, compared to earnings of \$134.7 million (\$1.07 per share) for the same three months in 2007, were reported today by Canadian Utilities.

“Canadian Utilities is reporting strong first quarter earnings as our Utilities and Global Enterprises divisions continue to build on their 2007 performance,” said Nancy Southern, President and Chief Executive Officer, Canadian Utilities. “We benefited from the growing regulated utilities, increased margins and prices from natural gas liquids extraction, and we restored full production at two large power generating facilities where unplanned outages occurred.”

Canadian Utilities also reported an increase in “adjusted earnings” for the first quarter, which excludes certain items not in the normal course of business or a result of day-to-day operations. Adjusted earnings for the three months ended March 31, 2008 were \$149.7 million (\$1.19 per share) compared to adjusted earnings of \$130.2 million (\$1.04 per share) for the same three months in 2007.

### RECENT DEVELOPMENTS

- On April 28, 2008, ATCO Frontec and their partner, the Fort McKay First Nation, announced that they have been selected by Suncor Energy to create and operate a 1,148-room accommodation complex to support oil sands development north of Fort McMurray, Alberta. ATCO Structures will supply the rooms in modular units. The complex is expected to open on May 25, 2008, and remain in place for a one-year period.
- On April 14, 2008, ATCO Frontec announced the opening of the first phase of their new Creeburn Lake Lodge near Fort McMurray, Alberta. ATCO Frontec also announced that evaluation is underway to consider doubling the capacity in the Lodge to 1,000 rooms.
- On March 6, 2008, ATCO Power announced that its 1,000 megawatt Barking Power Station in East London, England, of which ATCO Power owns 25.5%, resumed full operations. An unplanned outage had reduced the plant’s capacity to approximately 400 megawatts. Insurance proceeds which covered losses incurred during the first quarter of 2008 (earnings of \$8.6 million) and a portion of the losses incurred in 2007 (earnings of \$3.3 million), were recorded in the first quarter of 2008. The final insurance settlement is pending.
- Alberta Power (2000)’s Battle River Unit #4 Generating Station (approximately 150 megawatts) resumed full operations on March 27, 2008. An unplanned outage was originally reported on February 6, 2008.

[ continued ]

Financial Summary and Reconciliation of  
Adjusted EarningsFor the Three Months  
Ended March 31

	2008	2007
(\$ Millions except per share data)	<i>(unaudited)</i>	
Reported Earnings	150.0	134.7
ATCO Power Mark-to-Market Adjustment	(0.3)	(4.5)
Adjusted Earnings (1)	149.7	130.2
Earnings Per Share	1.20	1.07
Adjusted Earnings Per Share (1)	1.19	1.04
Revenues	740.6	697.6
Funds Generated By Operations (1) (2)	243.2	232.2

(1) This measure is not defined by Generally Accepted Accounting Principles and may not be comparable to similar measures used by other companies.

(2) This measure is cash flow from operations before changes in non-cash working capital.

**Adjusted earnings for the three months ended March 31, 2008**, increased primarily due to the impact of customer growth and Alberta Utilities Commission (AUC) approved interim customer rates associated with the 2008 and 2009 general rate application ("Interim Rates"), the impact of decreased quarterly depreciation expense allocation and colder temperatures in ATCO Gas, and higher margins and prices for natural gas liquids extraction in ATCO Midstream. The change in the ATCO Gas depreciation expense allocation resulted in an increase in ATCO Gas' earnings of \$4.9 million. As this change relates to the quarterly allocation of full year depreciation expense it will have no impact on full year earnings. These increases were partially offset by the timing and demand of natural gas storage capacity sold and lower storage fees in ATCO Midstream.

**Revenues for the three months ended March 31, 2008**, increased primarily due to increased international operations in ATCO Frontec, Interim Rates, customer growth, higher franchise fees collected on behalf of cities and municipalities and colder temperatures in ATCO Gas, and higher sales of natural gas on a no-margin basis for storage operations in ATCO Midstream. These increases were partially offset by the unplanned outage at the Barking generating plant in ATCO Power's U.K. operations, net of insurance proceeds.

**Funds generated by operations for the three months ended March 31, 2008**, increased primarily due to higher earnings partially offset by decreased deferred availability incentives in Alberta Power (2000).

Canadian Utilities' consolidated financial statements, and management's discussion and analysis of financial condition and results of operations for the three months ended March 31, 2008, will be available on Canadian Utilities' website ([www.canadian-utilities.com](http://www.canadian-utilities.com)) or via SEDAR ([www.sedar.com](http://www.sedar.com)) or can be requested from the Corporation.

Canadian Utilities Limited is part of the ATCO Group of Companies ([www.atco.com](http://www.atco.com)). Canadian Utilities Limited is a Canadian-based worldwide organization of companies with assets of approximately \$7.5 billion and more than 6,500 employees, actively engaged in three main business divisions: Power Generation; Utilities (natural gas and electricity transmission and distribution) and Global Enterprises (technology, logistics and energy services).

For further information, please contact:

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Chief Financial Officer  
Canadian Utilities Limited  
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**Forward-Looking Information:**

Certain statements contained in this news release may constitute forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "plan", "expect", "may", "will", "intend", "should", and similar expressions. These statements involve 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 statements. The Corporation believes that the expectations reflected in the forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements should not be unduly relied upon.

The Corporation's actual results could differ materially from those anticipated in these forward-looking statements as a result of regulatory decisions, competitive factors in the industries in which the Corporation operates, prevailing economic conditions, and other factors, many of which are beyond the control of the Corporation.

The forward-looking statements contained in this news release represent the Corporations' expectations as of the date hereof, and are subject to change after such date. The Corporation disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required under applicable securities regulations.

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**CANADIAN UTILITIES LIMITED**  
An **ATCO** Company

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED**  
**MARCH 31, 2008**

**CANADIAN UTILITIES LIMITED**  
**CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS**  
*(Millions of Canadian Dollars except per share data)*

	Note	Three Months Ended March 31	
		2008	2007
		<i>(Unaudited)</i>	
<b>Revenues</b>		<b>\$ 740.6</b>	<b>\$ 697.6</b>
<b>Costs and expenses</b>			
Natural gas supply		14.9	3.1
Purchased power		15.3	13.8
Operation and maintenance		244.5	240.6
Selling and administrative		51.9	42.4
Depreciation and amortization	1	90.1	91.9
Interest		46.4	42.6
Interest on non-recourse long term debt		9.5	12.0
Franchise fees		62.7	58.5
		<b>535.3</b>	<b>504.9</b>
		<b>205.3</b>	<b>192.7</b>
<b>Interest and other income</b>	7	<b>14.0</b>	<b>20.2</b>
<b>Earnings before income taxes</b>		<b>219.3</b>	<b>212.9</b>
<b>Income taxes</b>		<b>61.2</b>	<b>69.4</b>
		<b>158.1</b>	<b>143.5</b>
<b>Dividends on equity preferred shares</b>		<b>8.1</b>	<b>8.8</b>
<b>Earnings attributable to Class A and Class B shares</b>		<b>150.0</b>	<b>134.7</b>
<b>Retained earnings at beginning of period</b>		<b>2,036.0</b>	<b>1,813.3</b>
		<b>2,186.0</b>	<b>1,948.0</b>
Dividends on Class A and Class B shares		41.7	38.2
<b>Retained earnings at end of period</b>		<b>\$2,144.3</b>	<b>\$1,909.8</b>
<b>Earnings per Class A and Class B share</b>	5	<b>\$ 1.20</b>	<b>\$ 1.07</b>
<b>Diluted earnings per Class A and Class B share</b>	5	<b>\$ 1.19</b>	<b>\$ 1.07</b>
<b>Dividends paid per Class A and Class B share</b>	5	<b>\$ 0.3325</b>	<b>\$ 0.305</b>

**CANADIAN UTILITIES LIMITED**  
**CONSOLIDATED BALANCE SHEET**  
*(Millions of Canadian Dollars)*

		March 31		December 31
	Note	2008	2007	2007
		<i>(Unaudited)</i>		<i>(Audited)</i>
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and short term investments		\$ 855.0	\$ 939.0	\$ 747.2
Accounts receivable		375.9	311.4	373.9
Inventories	1, 3	95.8	94.4	101.8
Regulatory assets		22.1	8.3	10.2
Derivative assets	7	0.1	0.1	0.8
Prepaid expenses		24.2	22.3	29.8
		<b>1,373.1</b>	<b>1,375.5</b>	<b>1,263.7</b>
<b>Property, plant and equipment</b>		<b>5,748.2</b>	<b>5,441.9</b>	<b>5,678.5</b>
<b>Regulatory assets</b>		<b>66.3</b>	<b>44.6</b>	<b>75.6</b>
<b>Derivative assets</b>	7	<b>72.6</b>	<b>82.2</b>	<b>73.3</b>
<b>Other assets</b>		<b>196.3</b>	<b>201.1</b>	<b>194.3</b>
		<b>\$7,456.5</b>	<b>\$7,145.3</b>	<b>\$7,285.4</b>
<b>LIABILITIES AND SHARE OWNERS' EQUITY</b>				
<b>Current liabilities</b>				
Bank indebtedness	4	\$ 42.2	\$ 0.4	\$ -
Accounts payable and accrued liabilities		369.9	343.0	375.0
Income taxes payable		26.7	34.6	1.2
Future income taxes		0.3	0.3	1.7
Regulatory liabilities		7.5	4.8	-
Derivative liabilities	7	2.9	2.1	2.6
Non-recourse long term debt due within one year		45.3	66.0	65.4
		<b>494.8</b>	<b>451.2</b>	<b>445.9</b>
<b>Future income taxes</b>		<b>159.6</b>	<b>199.4</b>	<b>153.8</b>
<b>Regulatory liabilities</b>		<b>141.3</b>	<b>144.2</b>	<b>146.5</b>
<b>Derivative liabilities</b>	7	<b>6.3</b>	<b>4.6</b>	<b>3.3</b>
<b>Deferred credits</b>	7	<b>314.8</b>	<b>299.2</b>	<b>307.9</b>
<b>Long term debt</b>		<b>2,603.4</b>	<b>2,399.0</b>	<b>2,603.2</b>
<b>Non-recourse long term debt</b>		<b>470.0</b>	<b>586.8</b>	<b>478.1</b>
<b>Equity preferred shares</b>		<b>625.0</b>	<b>636.5</b>	<b>625.0</b>
<b>Class A and Class B share owners' equity</b>				
Class A and Class B shares	5	516.9	516.6	516.9
Contributed surplus		2.1	1.4	1.9
Retained earnings		2,144.3	1,909.8	2,036.0
Accumulated other comprehensive income		(22.0)	(3.4)	(33.1)
Retained earnings and accumulated other comprehensive income		<b>2,122.3</b>	<b>1,906.4</b>	<b>2,002.9</b>
		<b>2,641.3</b>	<b>2,424.4</b>	<b>2,521.7</b>
		<b>\$7,456.5</b>	<b>\$7,145.3</b>	<b>\$7,285.4</b>

**CANADIAN UTILITIES LIMITED**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
*(Millions of Canadian Dollars)*

		Three Months Ended March 31	
	Note	2008	2007
		<i>(Unaudited)</i>	
<b>Operating activities</b>			
Earnings attributable to Class A and Class B shares		\$ 150.0	\$ 134.7
Adjustments for:			
Depreciation and amortization	1	90.1	91.9
Future income taxes		2.0	2.7
Deferred availability incentives		0.9	6.6
TXU Europe settlement - net of income taxes		(2.5)	(3.0)
Other		2.7	(0.7)
Funds generated by operations		243.2	232.2
Changes in non-cash working capital		13.4	94.2
<b>Cash flow from operations</b>		<b>256.6</b>	<b>326.4</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment		(184.5)	(123.7)
Costs on disposal of property, plant and equipment		(0.9)	(0.5)
Contributions by utility customers for extensions to plant		48.7	19.8
Non-current deferred electricity costs		6.9	(1.4)
Changes in non-cash working capital		9.9	(14.2)
Other		(2.0)	(4.4)
		<b>(121.9)</b>	<b>(124.4)</b>
<b>Financing activities</b>			
Repayment of non-recourse long term debt		(32.5)	(25.1)
Net issue of Class A shares		-	0.5
Dividends paid to Class A and Class B share owners		(41.7)	(38.2)
Changes in non-cash working capital		0.1	-
Other		3.3	1.0
		<b>(70.8)</b>	<b>(61.8)</b>
<b>Foreign currency translation</b>		<b>1.7</b>	<b>(0.4)</b>
<b>Cash position <sup>(1)</sup></b>			
Increase		65.6	139.8
Beginning of period		747.2	798.8
<b>End of period</b>		<b>\$ 812.8</b>	<b>\$ 938.6</b>

<sup>(1)</sup> Cash position consists of cash and short term investments less current bank indebtedness, and includes \$122.1 million (2007 - \$204.4 million) which is only available for use in joint ventures.

**CANADIAN UTILITIES LIMITED**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
*(Millions of Canadian Dollars)*

	Three Months Ended March 31	
	2008	2007
	<i>(Unaudited)</i>	
<b>Earnings attributable to Class A and Class B shares</b>	<b>\$150.0</b>	<b>\$134.7</b>
<b>Other comprehensive income, net of income taxes:</b>		
Cash flow hedges	(3.8)	0.5
Foreign currency translation adjustment	14.9	0.3
	<b>11.1</b>	<b>0.8</b>
<b>Comprehensive income</b>	<b>\$161.1</b>	<b>\$135.5</b>

**CANADIAN UTILITIES LIMITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2008**  
*(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 consolidated financial statements and related notes included in the Corporation's Financial Information contained in its 2007 Annual Report. These interim financial statements have been prepared using the same accounting policies as used in the financial statements for the year ended December 31, 2007, except as described below.

Effective January 1, 2008, the Corporation adopted the Canadian Institute of Chartered Accountants ("CICA") recommendations for capital disclosures which require disclosure of qualitative and quantitative information regarding the Corporation's objectives, policies and processes for managing capital (see Note 6).

Effective January 1, 2008, the Corporation adopted the CICA recommendations pertaining to disclosure and presentation of financial instruments which require disclosure of the classification of the Corporation's financial instruments (as described in the Financial Instruments section below) and additional qualitative and quantitative information regarding the nature and extent of risks arising from financial instruments to which the Corporation is exposed (see Note 7).

Effective January 1, 2008, the Corporation prospectively adopted the CICA recommendations for measurement and disclosure of inventories which provide guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value, and on the cost formulas that are used to assign costs to inventories. The recommendations also clarified that major spare parts are to be included in property, plant and equipment. As a result of adopting these recommendations, the Corporation reclassified \$1.8 million of inventories to property, plant, and equipment related to major spare parts on January 1, 2008.

Due to the seasonal nature of the Corporation's operations, changes in electricity prices in Alberta, the timing and demand of natural gas storage capacity sold, changes in natural gas storage fees, changes in natural gas liquids prices and natural gas costs and the timing of rate decisions, the consolidated statements of earnings, retained earnings and comprehensive income for the three months ended March 31, 2008 and March 31, 2007 are not necessarily indicative of operations on an annual basis.

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

***Inventories***

Inventories are valued at the lower of cost or net realizable value. The cost of inventories is assigned using the weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

The cost of inventories is comprised of all costs of purchase, costs of conversion and other costs to bring the inventories to their present condition and location. The costs of purchase comprise the purchase price, import duties and non-recoverable taxes, and transport, handling and other costs directly attributable to the acquisition of finished goods, materials or services. The costs of conversion include direct material and labour costs and a systematic allocation of fixed and variable overheads incurred in converting materials into finished goods.

***Property, Plant and Equipment***

Effective January 1, 2008, ATCO Gas prospectively changed the allocation of annual depreciation and amortization expense on a quarterly basis. The method of quarterly allocation has been changed from an estimate based on the timing of revenues to the straight line basis. The annual depreciation and amortization expense continues to be on the straight line basis and, therefore, this change does not affect the total depreciation and amortization expense

## **1. Summary of significant accounting policies (continued)**

recognized for the year. This change in allocation resulted in an increase to consolidated earnings after income taxes of \$4.9 million for the three months ended March 31, 2008.

### ***Financial Instruments***

The Corporation establishes the classification of financial instruments at their initial recognition. Financial assets are classified as held for trading, available for sale, held to maturity or loans and receivables. Financial liabilities are classified as held for trading or other liabilities.

Financial instruments classified as held for trading, other than derivative instruments that are effective hedging instruments, are measured at fair value with changes in fair value recognized in earnings. Derivatives that are designated as, and continue to be, effective cash flow hedging instruments have gains and losses in fair values recognized through other comprehensive income. Derivatives that are designated as fair value hedging instruments have gains and losses recognized in earnings.

Financial instruments classified as available for sale are measured at fair value using quoted prices in an active market. Changes in fair value are recognized in other comprehensive income until the item is derecognized or determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income is recognized in earnings. When actively quoted prices are not available, fair value is determined using other valuation techniques. If fair value cannot be reliably estimated, the item is carried at cost.

Financial instruments classified as held to maturity, loans and receivable or other liabilities are measured at fair value upon initial recognition but are subsequently measured at their amortized cost using the effective interest method.

### ***Future Accounting Changes***

The following new accounting recommendations are in addition to those future accounting changes disclosed in the December 31, 2007 consolidated financial statements.

The CICA has issued new accounting recommendations for goodwill and intangible assets which establish standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets (including internally developed intangible assets). These recommendations are effective for the Corporation beginning January 1, 2009. Goodwill and intangible assets that are not assets as defined by GAAP will be derecognized and charged to the equity of the Corporation at that date. The Corporation is evaluating the effect of these recommendations on its financial statements.

## **2. Regulatory matters**

In September 2007, ATCO Electric received a decision on its General Tariff Application for 2007 and 2008 which approved a return on common equity of 8.75% for 2008 and 8.51% for 2007. ATCO Gas' and ATCO Pipelines' General Rate Applications for 2008 and 2009 contain placeholder returns on common equity of 8.75% for 2008. If no rate applications are filed for a particular year, then there will be no adjustment to the common equity rate of return for that year.

A process continues with respect to the pricing of services provided by ATCO I-Tek to the utilities. A benchmarking report was received in January 2008 and filed with the Alberta Utilities Commission ("AUC") in February 2008, along with an application to adjust placeholders. In April 2008 an agreement with the customer group concerning the adjustment to placeholders was submitted to the AUC for approval. Should this agreement be approved by the AUC, it is not expected to have a material impact on consolidated earnings. A decision from the AUC is expected before the end of the second quarter of 2008.

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.

### 3. Inventories

	March 31	
	2008	2007
Natural gas and fuel in storage	\$34.4	\$38.2
Raw materials and consumables	61.4	56.2
	<b>\$95.8</b>	<b>\$94.4</b>

For the three months ended March 31, 2008, the amount of inventories recognized as an expense was \$26.9 million (2007 – \$26.4 million), there have been no write-downs to net realizable value and there have been \$0.6 million reversals of previous write-downs to net realizable value.

Inventories in the amount of \$11.1 million are pledged as security for liabilities.

### 4. Bank indebtedness

During the three months ended March 31, 2008, the Corporation borrowed \$42.2 million on its short term committed line of credit. The borrowing is repayable in Euros at an interest rate of 5.03% and is unsecured.

### 5. Class A and Class B shares

There were 81,559,886 (2007 – 81,486,886) Class A non-voting shares and 43,734,784 (2007 – 43,922,484) Class B common shares outstanding on March 31, 2008. In addition, there were 1,445,700 options to purchase Class A non-voting shares outstanding at March 31, 2008 under the Corporation's stock option plan. From April 1, 2008, to April 25, 2008, no stock options were granted or cancelled, no stock options were exercised, 11,400 Class B common shares were exchanged for Class A non-voting shares and no Class A non-voting shares were purchased under the Corporation's normal course issuer bid.

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

	Three Months Ended March 31	
	2008	2007
Weighted average shares outstanding	125,294,670	125,390,433
Effect of dilutive stock options	517,799	499,458
Weighted average diluted shares outstanding	<b>125,812,469</b>	<b>125,889,891</b>

### 6. Capital disclosures

The Corporation's objectives when managing capital are:

1. to safeguard the ability to continue as a going concern, so that it can continue to provide returns to share owners and benefits for other stakeholders;
2. to maintain an appropriate credit rating in order to provide efficient and cost effective access to funds required for operations and growth; and
3. to remain within the capital structure approved by the AUC.

The Corporation includes share owners' equity, equity preferred shares, long term debt and non-recourse long term debt in its determination of capitalization. In managing its capital, the Corporation considers both the regulated and non-regulated operations in the consolidated group as well as changes in economic conditions and risks impacting the core assets and operations. In maintaining or adjusting its capital structure, the Corporation may adjust the amount of dividends paid to share owners, issue or purchase Class A and Class B shares, and issue or redeem equity preferred shares, long term debt and non-recourse long term debt.

## 6. Capital disclosures (continued)

The Corporation's utility operations are regulated primarily by the AUC, which, through the generic cost of capital decision issued in 2004, established the capital structure for each utility. The utility operations are, therefore, capitalized consistent with the generic cost of capital decision. The capitalization involves the use of long term debt and preferred share financings; the AUC approved the continued use of the latter in a decision issued in 2006.

While the Corporation's utility operations are capitalized consistent with the AUC decisions, the Corporation itself is not restricted in its capital structure. The capital structure for the Corporation is set relative to risk and to meet the financial and operational objectives of the Corporation (while considering the decisions of the regulator).

Decisions on the level and type of financing are based on assessments by management in line with the Corporation's objectives. In determining the type of financing to be undertaken by a given operation, the Corporation has a goal of managing the financial risk to the Corporation as a whole.

Capital is monitored through an equity capitalization measure which is calculated as total equity divided by total capitalization. Total equity is comprised of Class A and Class B shares, contributed surplus, retained earnings, accumulated other comprehensive income and equity preferred shares. Total capitalization is comprised of long term debt, non-recourse long term debt and total equity. The Corporation's strategy, which is unchanged from 2007, is to maintain the equity capitalization allowed by the regulator for the regulated operations and to structure the non-regulated operations so as to sustain access to cost effective financing by maintaining high credit ratings on debt and preferred shares. The Corporation looks to maintain an equity capitalization in the range of 45% to 55%.

Other measures that are taken into consideration are interest coverage and interest and preferred dividend coverage. Interest coverage is calculated by dividing earnings before income taxes, interest expense and dividends on equity preferred shares by total interest expense. Interest and preferred dividend coverage is calculated by dividing earnings before income taxes, interest expense and dividends on equity preferred shares by interest expense and dividends on equity preferred shares (grossed up to pre-tax equivalents). The Corporation looks to maintain interest coverage of at least 2.5 and interest and preferred dividend coverage of at least 2.0; these objectives are unchanged from 2007.

Equity capitalization, interest coverage and interest and preferred dividend coverage do not have any standardized meaning under GAAP and might not be comparable to similar measures presented by other companies.

The Corporation's key measures of capital structure are as follows:

	March 31	
	2008	2007
Class A and Class B shares	\$ 516.9	\$ 516.6
Contributed surplus	2.1	1.4
Retained earnings	2,144.3	1,909.8
Accumulated other comprehensive income	(22.0)	(3.4)
Equity preferred shares	625.0	636.5
Total equity	3,266.3	3,060.9
Long term debt	2,603.4	2,399.0
Non-recourse long term debt	470.0	586.8
Total debt	3,073.4	2,985.8
Total capitalization	\$6,339.7	\$6,046.7
Equity capitalization	52%	51%

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. Total debt increased primarily due to financings for utility capital expenditures partially offset by redemptions of non-recourse long term debt, including a one-time payment of \$52.7 million in the second quarter of 2007 which represented the Corporation's share of the TXU Europe settlement that was applied to Barking Power's non-recourse long term debt.

## 6. Capital disclosures (continued)

Interest coverage and interest and preferred dividend coverage are managed on an annual basis by the Corporation. Due to the seasonal nature of the Corporation's operations, changes in electricity prices in Alberta, the timing and demand of natural gas storage capacity sold, changes in natural gas storage fees, changes in natural gas liquids prices and natural gas costs and the timing of rate decisions, revenues and earnings for any quarter are not necessarily indicative of operations on an annual basis. Therefore, quarterly coverage ratios are not presented as they are not necessarily indicative of the annual performance. The amounts presented below are the most recent annual coverage ratios:

	December 31 2007
Interest coverage <sup>(1)</sup>	3.3
Interest and preferred dividend coverage <sup>(1)</sup>	2.7

*(1) The coverage ratios for 2007 were negatively impacted by the AUC decision that directed ATCO Electric to refund future income taxes to customers. The total reduction in revenues and income taxes recorded in 2007 was \$39.6 million. If the reduction in revenues had not occurred, interest coverage would have been 3.5 and interest and preferred dividend coverage would have been 2.8.*

For the three months ended March 31, 2008, 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.

## 7. Risk management and financial instruments

The Corporation's Board of Directors ("Board") is responsible for understanding the principal risks of the business in which the Corporation is engaged, achieving a proper balance between risks incurred and the potential return to share owners, and confirming that there are systems in place that effectively monitor and manage those risks with a view to the long-term viability of the Corporation. The Board has established a Risk Review Committee, which reviews significant risks associated with future performance, growth and lost opportunities identified by management that could materially affect the Corporation's ability to achieve its strategic or operational targets. This committee is responsible for confirming that management has procedures in place to mitigate identified risks.

The Corporation is exposed to changes in interest rates, commodity prices and foreign currency exchange rates. The Power Generation segment is affected by the cost of natural gas and the price of electricity in the Province of Alberta and the United Kingdom and the Global Enterprises segment is affected by the cost of natural gas and the price of natural gas liquids. In conducting its business, the Corporation may use various instruments, including forward contracts, swaps and options, to manage the risks arising from fluctuations in exchange rates, interest rates and commodity prices. All such instruments are used only to manage risk and not for trading purposes.

At March 31, 2008 and March 31, 2007, the following derivative instruments were outstanding: interest rate swaps that hedge interest rate risk on the variable future cash flows associated with a portion of non-recourse long term debt, foreign currency forward contracts that hedge foreign currency risk on the future cash flows associated with specific firm commitments or anticipated transactions and certain natural gas purchase contracts.

## 7. Risk management and financial instruments (continued)

The derivative assets and liabilities comprise the following:

	March 31	
	2008	2007
<i>Derivative assets – current:</i>		
Interest rate swap agreements	\$ 0.1	\$ 0.1
<i>Derivative assets – non-current:</i>		
Natural gas purchase contracts	\$71.9	\$81.9
Interest rate swap agreements	0.7	0.3
	<b>\$72.6</b>	<b>\$82.2</b>
<i>Derivative liabilities – current:</i>		
Interest rate swap agreements	\$ 2.9	\$ 1.9
Foreign currency forward contracts	-	0.2
	<b>\$ 2.9</b>	<b>\$ 2.1</b>
<i>Derivative liabilities – non-current:</i>		
Interest rate swap agreements	\$ 6.3	\$ 4.6

### Interest rate risk

The Corporation's interest-bearing assets and liabilities include cash and short-term investments, long term debt and non-recourse long term debt. The interest rate risk faced by the Corporation is largely a result of its non-recourse long term debt at variable rates and cash and short term investments. The Corporation has converted variable rate non-recourse long term debt to fixed rate debt through the following interest rate swap agreements:

Project Financing	Swap Fixed Interest Rate <sup>(1)</sup>	Variable Debt Interest Rate	Maturity Date	Notional Principal	
				2008	2007
Osborne: (\$30.3 million AUD (2007 – \$34.6 million AUD))	7.343%	Bank Bill Rate in Australia	December 2013	\$ 28.5	\$ 32.4
APALP:	7.790%	90 day BA	November 2008	1.3	2.6
	7.567%	90 day BA	December 2008	1.8	3.6
	7.750%	6 month LIBOR	December 2011	73.7	83.9
Joffre:	7.536%	90 day BA	September 2012	18.7	22.8
Scotford:	5.332%	90 day BA	September 2008	51.4	52.9
Muskeg River:	5.287%	90 day BA	December 2007	-	39.9
	5.515%	90 day BA	December 2012	28.7	-
	5.615%	3 month LIBOR	December 2012	7.2	-
Brighton Beach:	5.867%	30 day BA	June 2009	8.4	8.8
	6.605%	90 day BA	March 2019	33.7	35.6
Cory:	6.586%	90 day BA	June 2011	1.9	2.6
				<b>\$255.3</b>	<b>\$285.1</b>

BA – Bankers' Acceptance  
LIBOR – London Interbank Offered Rate

<sup>(1)</sup> The above swap fixed interest rates include any long term debt margin fees; the margin fees are subject to escalation.

## 7. Risk management and financial instruments (continued)

The Corporation has fixed interest rates, either directly or through interest rate swap agreements, on 98% (2007 – 96%) of total long term debt and non-recourse long term debt. Consequently, the exposure to fluctuations in future cash flows, with respect to debt, as a result of changes in market interest rates is limited. Interest rate swaps are designated as cash flow hedges; changes in the fair value of highly effective cash flow hedges, which include all but the Joffre interest rate swap, are recorded in other comprehensive income. Changes in the fair value of the Joffre interest rate swap are recorded in earnings and are not material.

The Corporation's cash and short term investments include fixed rate instruments with maturities of generally 90 days or less that are reinvested as they mature. Therefore, the Corporation has exposure to interest rate movements that occur beyond the term of maturity of the fixed rate investments.

### *Foreign currency exchange rate risk*

The Corporation has exposure to changes in the carrying values of its foreign operations, including assets and liabilities, as a result of changes in exchange rates. Gains or losses on translation of self-sustaining foreign operations are included in the foreign currency translation adjustment account in accumulated other comprehensive income. Gains or losses on translation of integrated foreign operations are recognized in earnings.

Foreign currency exchange rate risk arises from financial instruments denominated in a currency other than the functional currency. The Corporation has entered into foreign currency forward contracts in order to fix the exchange rate on certain service contracts, planned equipment expenditures and operational cash flows denominated in U.K. pounds sterling (“£”), U.S. dollars and Euros. At March 31, 2008, the contracts consist of purchases of \$0.5 million U.S. (2007 – purchases of \$1.4 million U.S. and sales of 2.0 million Euros).

### *Natural gas purchase contracts and associated power generation revenue contract liability*

The Corporation has long term contracts for the supply of natural gas for certain of its power generation projects. Under the terms of certain of these contracts, the volume of natural gas that the Corporation is entitled to take is in excess of the natural gas required to generate power. As the excess volume of natural gas can be sold, the Corporation is required to designate these entire contracts as derivative instruments. The Corporation has recognized a non-current derivative asset and records mark-to-market adjustments through earnings as the fair values of these contracts change with changes in future natural gas prices. These natural gas purchase contracts mature in November 2014.

As all but the excess volume of natural gas is committed to the Corporation's power generation obligations, the Corporation could not recognize the entire fair values of these natural gas purchase contracts in its revenues. Consequently, the Corporation has recognized a provision for a power generation revenue contract and records adjustments to the power generation revenue contract liability concurrently with the mark-to-market adjustments for the natural gas purchase contracts derivative asset. This power generation revenue contract liability is included in deferred credits in the consolidated balance sheet.

Interest and other income for the three months ended March 31, 2008 includes a loss of \$0.6 million (2007 – gain of \$22.9 million) related to the change in fair value of the natural gas purchase contracts derivative asset. This loss is offset by a gain of \$1.0 million (2007 – loss of \$16.5 million) related to the change in fair value of the associated power generation revenue contract liability. The mark-to-market adjustment for the derivative asset and the corresponding adjustment for the associated power generation revenue contract liability increased earnings by \$0.3 million, net of income taxes, for the three months ended March 31, 2008 (2007 – increase of \$4.5 million). At March 31, 2008, the natural gas purchase contracts derivative asset is \$71.9 million (2007 – \$81.9 million) and the power generation revenue contract liability is \$53.2 million (2007 – \$61.3 million).

## 7. Risk management and financial instruments (continued)

### *Credit risk*

For cash and short term investments and accounts receivable, credit risk represents the carrying amount on the consolidated balance sheet. Cash and short term investments credit risk is reduced by investing in instruments issued by credit worthy financial institutions and in federal government issued short term instruments. Accounts receivable credit risk is reduced by a large and diversified customer base, requirement of letters of credit, and, for regulated operations other than Alberta Power (2000), the ability to recover an estimate for doubtful accounts through approved customer rates.

Derivative credit risk arises from the possibility that a counterparty to a contract fails to perform according to the terms and conditions of that contract. Derivative credit risk is minimized by dealing with large, credit-worthy counterparties in accordance with established credit approval policies.

The maximum exposure to credit risk is the carrying value of loans and receivables on the balance sheet. The Corporation does not have a concentration of credit risk with any counterparties. A significant portion of loans and receivables arise from the Corporation's operations in Alberta.

Accounts receivable are non-interest bearing and are generally due in 30 to 90 days. At March 31, 2008, the provision for impairment of credit losses was \$1.7 million. The changes in the provision for impairment were as follows:

	2008
Provision at beginning of period	\$1.5
Impairment of receivables	0.2
Provision at end of period	\$1.7

At March 31, 2008, the aging analysis of trade receivables that are past due but not impaired is as follows:

	2008
30 to 90 days	\$17.1
Greater than 90 days	4.6
	\$21.7

No other impairments have been identified within accounts receivable.

### *Liquidity risk*

Liquidity risk is the risk that the Corporation will not be able to meet its obligations associated with financial liabilities. Funds generated by operations provide a substantial portion of the Corporation's cash requirements. Additional cash requirements are met externally through bank borrowings and the issuance of long term debt, non-recourse long term debt and preferred shares. Commercial paper borrowings and short term bank loans are used under available credit lines to provide flexibility in the timing and amounts of long term financing. The Corporation has a policy not to invest any of its cash balances in asset backed securities; consequently, the recent turmoil in the asset-backed commercial paper market has had no impact on the Corporation.

Contractual obligations have not changed substantially from those disclosed in the Corporation's December 31, 2007 consolidated financial statements.

**7. Risk management and financial instruments (continued)**

***Fair value of non-derivative financial instruments***

The carrying values and fair values of the Corporation's non-derivative financial instruments are as follows:

	March 31			
	2008		2007	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b><i>Financial Assets</i></b>				
<b><i>Held For Trading:</i></b>				
Cash <sup>(1)</sup>	\$ 220.8	\$ 220.8	\$ 245.4	\$ 245.4
<b><i>Held to Maturity:</i></b>				
Short term investments <sup>(1)</sup>	634.2	634.2	693.6	693.6
<b><i>Loans and Receivables:</i></b>				
Accounts receivable <sup>(1)</sup>	375.9	375.9	311.4	311.4
<b><i>Financial Liabilities</i></b>				
<b><i>Held For Trading:</i></b>				
Bank indebtedness <sup>(2)</sup>	42.2	42.2	0.4	0.4
<b><i>Other Liabilities:</i></b>				
Accounts payable and accrued liabilities <sup>(2)</sup>	369.9	369.9	343.0	343.0
Long term debt <sup>(3)</sup>	2,603.4	2,925.0	2,399.0	2,773.8
Non-recourse long term debt <sup>(3)</sup>	515.3	554.1	652.8	691.1

<sup>(1)</sup> Recorded at cost. Fair value approximates the carrying amounts due to the short term nature of the financial instruments and negligible credit losses.

<sup>(2)</sup> Recorded at cost. Fair value approximates the carrying amounts due to the short term nature of the financial instruments.

<sup>(3)</sup> Recorded at amortized cost. Fair values are determined using quoted market prices for the same or similar issues. Where the market prices are not available, fair values are estimated using discounted cash flow analysis based on the Corporation's current borrowing rate for similar borrowing arrangements.

## 7. Risk management and financial instruments (continued)

### Fair value of derivative financial instruments

The fair values of the Corporation's derivative financial instruments are as follows:

	March 31					
	2008			2007		
	Notional Principal <sup>(1)</sup>	Fair Value Receivable (Payable) <sup>(3)</sup>	Maturity	Notional Principal <sup>(1)</sup>	Fair Value Receivable (Payable) <sup>(3)</sup>	Maturity
<i>Held For Trading:</i>						
Interest rate swaps	\$255.3	\$(8.4)	2008-2019	\$285.1	\$(6.1)	2007-2019
Foreign currency forward contracts	\$ 0.5	Nil	2008-2009	\$ 4.6	\$(0.2)	2007
Natural gas purchase contracts	N/A <sup>(2)</sup>	\$71.9	2014	N/A <sup>(2)</sup>	\$81.9	2014

<sup>(1)</sup> The notional principal is not recorded in the consolidated financial statements as it does not represent amounts that are exchanged by the counterparties.

<sup>(2)</sup> The notional amount for the natural gas purchase contracts is the maximum volumes that can be purchased over the terms of the contracts.

<sup>(3)</sup> Fair values for the interest rate swaps and the foreign currency forward contracts have been estimated using period-end market rates, and fair values for the natural gas purchase contracts have been estimated using period-end forward market prices for natural gas. These fair values approximate the amount that the Corporation would either pay or receive to settle the contract at March 31.

### Sensitivity analysis

The analysis below illustrates the extent to which the Corporation's results are impacted by financial instruments and the underlying market risks (interest rate risk, foreign currency exchange risk, and commodity price risk). Non-derivative financial instruments (listed on the previous page) are recorded at cost and are not affected by changes in market variables whereas derivative financial instruments are affected by market variables.

The following table reflects the sensitivity in the fair value of outstanding derivative instruments to reasonably possible changes in Canadian and Australian interest rates, the foreign currency exchange rates of the Canadian dollar to the U.S. dollar and the forward price of natural gas. The analysis excludes the impact that changes in the underlying market risks would have on non-financial assets and liabilities, foreign currency translation of self-sustaining foreign operations included in accumulated other comprehensive income, and carrying value of employee future benefits. Sensitivities are reflected in changes to earnings and other comprehensive income, after income taxes.

Assumptions made in arriving at the sensitivity analysis are as follows:

- Changes in the fair value of derivative instruments that are effective cash flow hedges from movements in interest rates or foreign currency exchange rates are recorded in other comprehensive income.
- Changes in the fair value of derivative instruments that are not designated as hedges, that are fair value hedges or that are ineffective cash flow hedges are recorded in earnings.
- Balance sheet sensitivity to interest rates and foreign currency exchange rates relates only to derivative instruments. There are no available for sale financial assets and other liabilities are carried at amortized cost, in which case the carrying values are not affected by changes in interest rates and foreign currency exchange rates.
- Changes in the forward price of natural gas affect the mark to market adjustment of the natural gas purchase contracts derivative asset and the corresponding adjustment for the associated power generation revenue contract liability.

## 7. Risk management and financial instruments (continued)

	Three Months Ended March 31 2008	
	Earnings	Other Comprehensive Income
Canadian interest rates		
25 basis points increase	\$ 0.1	\$ 0.8
25 basis points decrease	\$(0.1)	\$(0.8)
Australian interest rates		
25 basis points increase	\$ -	\$ 0.1
25 basis points decrease	\$ -	\$(0.1)
U.S. dollar exchange rate		
10% increase	\$ 2.9	\$ -
10% decrease	\$(2.9)	\$ -
Forward price of natural gas		
10% increase	\$ 2.9	\$ -
10% decrease	\$(2.9)	\$ -

## 8. Employee future benefits

In the three months ended March 31, 2008, net expense of \$2.9 million (2007 – \$3.6 million) was recognized for pension benefit plans and net expense of \$1.3 million (2007 – \$1.3 million) was recognized for other post employment benefit plans.

## 9. Segmented information

### Segmented results – Three months ended March 31

2008 2007	Utilities	Power Generation	Global Enterprises	Corporate and Other	Intersegment Eliminations	Consolidated
<i>(Unaudited)</i>						
Revenues – external	\$ 363.2	\$ 198.8	\$178.2	\$ 0.4	\$ -	\$ 740.6
	\$ 338.4	\$ 205.9	\$152.9	\$ 0.4	\$ -	\$ 697.6
Revenues – intersegment <sup>(1)</sup>	6.3	-	35.9	2.8	(45.0)	-
	6.3	-	29.0	2.9	(38.2)	-
Revenues	\$ 369.5	\$ 198.8	\$214.1	\$ 3.2	\$ (45.0)	\$ 740.6
	\$ 344.7	\$ 205.9	\$181.9	\$ 3.3	\$ (38.2)	\$ 697.6
Earnings attributable to Class A and Class B shares	\$ 66.5	\$ 35.0	\$ 48.9	\$ (0.1)	\$ (0.3)	\$ 150.0
	\$ 49.1	\$ 43.4	\$ 42.8	\$ 0.2	\$ (0.8)	\$ 134.7
Total assets	\$4,223.9	\$2,207.0	\$363.1	\$641.2	\$ 21.3	\$7,456.5
	\$3,820.5	\$2,311.4	\$240.4	\$679.3	\$ 93.7	\$7,145.3

<sup>(1)</sup> Intersegment revenues are recognized on the basis of prevailing market or regulated prices.



**CANADIAN UTILITIES LIMITED**  
An **ATCO** Company

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**FORM OF PROXY      CANADIAN UTILITIES LIMITED**

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This form of proxy is solicited by the management of Canadian Utilities Limited for the annual meeting of shareholders to be held on Wednesday, May 7, 2008.

The undersigned holder of Class B common shares of Canadian Utilities Limited (the "Corporation") hereby appoints R.D. Southern, Chairman of the Board, or, failing him, N.C. Southern, President & Chief Executive Officer, or, instead of either of the foregoing, \_\_\_\_\_ as proxyholder of the undersigned to attend and act on behalf of the undersigned at the annual meeting of shareholders of the Corporation to be held at The Fairmont Hotel Macdonald, 10065 - 100th, Edmonton, Alberta on May 7, 2008, at 10:00 a.m. and at any adjournment thereof, and instructs the proxyholder:

1. To vote upon the election of the proposed nominees named in the management proxy circular for the meeting as directors of the Corporation

VOTE FOR                       or                      WITHHOLD VOTE

2. To vote upon the appointment of PricewaterhouseCoopers LLP as the auditor of the Corporation

VOTE FOR                       or                      WITHHOLD VOTE

If no choice is specified, the proxyholder shall vote in favour of the matters set out above.

\_\_\_\_\_  
Shareholder's Signature

\_\_\_\_\_  
Date

Please see overleaf for voting options

If you are unable to attend the meeting in person, you may vote in one of the following ways:

- This form of proxy is for the use of holders of Class B common shares of the Corporation.
- **A SHAREHOLDER MAY APPOINT A PROXYHOLDER OTHER THAN ANY PERSON DESIGNATED IN THIS FORM OF PROXY TO ATTEND AND ACT ON THE SHAREHOLDER'S BEHALF AT THE MEETING.** This right may be exercised either by striking out the names of the persons designated in this form of proxy and inserting in the space provided the name of the person appointed or by completing and executing another proper form of proxy in the manner described.
- This form of proxy should be dated and must be executed by the shareholder or his or her attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized.
- If this form of proxy is not dated, it is deemed to bear the date on which it is mailed by management of the Corporation.
- This form of proxy confers discretionary authority in respect of other matters to matters identified in the notice of the meeting and any amendments that may properly come before the meeting.
- This form of proxy should be read in conjunction with the accompanying documentation provided by the management of the Corporation.

**BY MAIL**

This form of proxy should be completed, signed and returned to CIBC Mellon Trust Company in the prepaid envelope provided or mailed to CIBC Mellon Trust Company, Attention: Proxy Department, P.O. Box 721, Agincourt, Ontario M1S 0A1.

**BY FAX**

You may fax your completed form of proxy (please fax both sides) to CIBC Mellon Trust Company:  
Within Canada and the U.S. at **1-866-781-3111**  
Outside North America at **(416) 368-2502**

**BY TELEPHONE**

Call toll free **1-866-271-1207** using a touch tone phone and follow the voice prompts. You will need to enter the 13 digit Control Number located in the left-hand corner below in order to enter your voting instructions.

**BY INTERNET**

Access **www.eproxyvoting.com/cu** and follow the prompts. You will need to enter your 13 digit Control Number located in the left-hand corner below in order to enter your voting instructions.

**If you vote by fax, telephone or the internet, please DO NOT mail back this form of proxy.**

**Please note that all votes cast using this form of proxy must be received by CIBC Mellon Trust Company not later than 5:00 p.m. Eastern Daylight Time on Monday, May 5, 2008.**

Your Control Number for validation when voting by phone or via the internet is:

FILE NO. 82-34744

ENVIRONMENTAL STEWARDSHIP 2007

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**ATCO**  
GROUP

## Commitment to Environment



*“ATCO is taking steps – large and small – to protect, enhance and sustain the communities where we live and work.”*

We are a unique Alberta-based enterprise, both in our diversity and in the large number of communities that count on us to contribute to improving their quality of life while reducing our environmental impact.

This Environmental Stewardship feature highlights some of our most progressive environmental initiatives. ATCO is taking steps – large and small – to protect, enhance and sustain the communities where we live and work, and that includes a commitment to the environment.

ATCO has led Alberta in the construction of environmentally responsive cogeneration power plants, delivering much-needed new electricity for economic growth, in combination with reductions in greenhouse gas emissions.

We built the emissions-free hydroelectric generating plant at the Oldman River Dam near Pincher Creek, Alberta. We have also taken significant steps to reduce the emissions intensity at our legacy coal-fired plants and within our Utilities division where isolated generating sites are being fully restored.

Working with governments and other partners, ATCO seeks to be at the forefront of sustainable technologies. Several alternative energy projects are being explored, from clean coal generation to hydro power projects. In addition, our companies are nationally recognized for Greenhouse Gas Action Plans to reduce greenhouse gas emissions.

More remains to be done. ATCO is committed to continuous improvement and operational excellence, and I believe that the actions detailed in this Environmental Stewardship feature will provide you with a greater understanding of ATCO's current and future environmental initiatives.

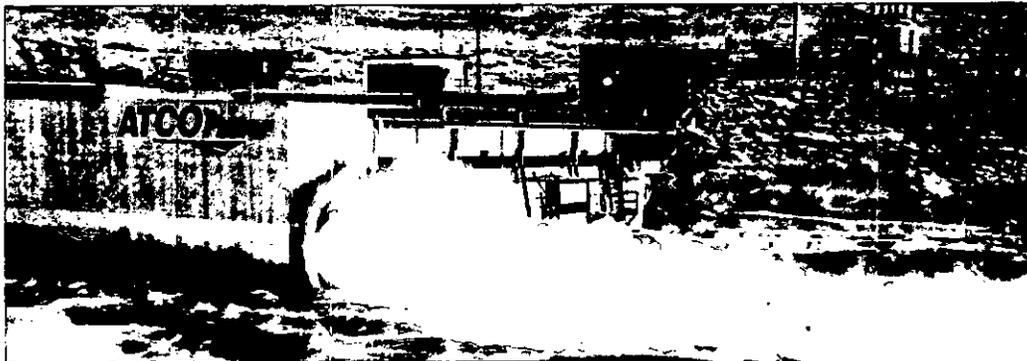
Nancy C. Southern  
President & Chief Executive Officer

# ATCO Power Continues to Move Forward

Through participation in the Canadian Electricity Association, Clean Air Strategic Alliance of Alberta and the Alberta Water Council, ATCO Power continues to be an active contributor in the development of frameworks and government regulations to manage environmental initiatives.

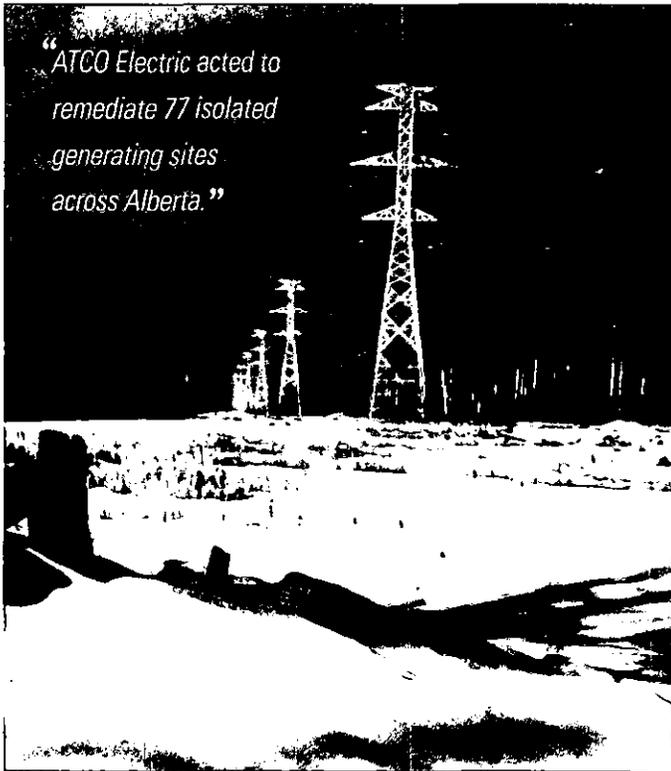
These are the steps that ATCO Power has taken to further its environmental stewardship:

- ATCO Power's principal asset in the United Kingdom (U.K.), the Barking Power Station, is implementing a number of environmental initiatives, including a commitment to waste reduction in partnership with the local authorities in London. In addition, the Thames Gateway, a designated development zone in East London, is studying proposals to use heat from the Barking Station to supply a planned district heating network.
- ATCO Power's Osborne Cogeneration Station in Adelaide, South Australia conducted a \$1 million (Australian dollars) upgrade during a two-week scheduled outage that increased electricity output by 4.8 per cent and decreased heat rate by 0.94 per cent. This equates to producing the same amount of electricity annually with a reduction of approximately one per cent of the natural gas utilized and 6,000 tonnes of CO<sub>2</sub> emissions.
- The Osborne plant also demonstrated environmental leadership by implementing a significant water conservation project in 2007 in response to severe drought conditions in Australia. Estimated savings are approximately 8.5 million litres of potable water per year.
- ATCO Power also holds a 50 per cent interest in a combined heat and power plant at London's Heathrow Airport. Heat is now being supplied to Terminal 5 from a new steam pipeline connection.
- ASHCOR Technologies, which markets fly ash and other combustion by-products produced at power stations operated by ATCO Power, is establishing a protocol to recognize greenhouse gas and other credits from taking fly ash (which would otherwise be sent to a landfill) and turning it into a usable product for the oil and gas and construction industries. For every metric tonne of cement displaced by fly ash, approximately one tonne less of CO<sub>2</sub> is released into the atmosphere.
- ATCO Power submitted proposals to Alberta Environment in 2007 to monitor and control mercury emissions from the company's coal-fired generating stations by 2010. A full-scale test of the mercury control technology is planned for Battle River Unit 5 in 2008.
- In April 2007, the federal government unveiled its "Action Plan to Reduce Greenhouse Gases and Air Pollution" — proposed legislation scheduled to come into effect in 2010. ATCO Power has been actively involved in working with the federal government and Canadian utility companies to understand and manage the impact of this legislation on the electricity sector.
- Alberta was the first Canadian province to introduce greenhouse gas legislation, effective in 2007. ATCO Power registered baseline emissions for its affected Alberta operations and will submit compliance reports by March 31, 2008.



The Oldman River Hydro Project, which is owned 75 per cent by ATCO Power and 25 per cent by the Pikani Nation of Brockett, is an environmentally progressive, run-of-river hydroelectric generating plant developed at the Oldman River Dam near Pincher Creek, Alberta. The Oldman hydro project produced about 125,000 megawatt hours of electricity in 2007, which offset CO<sub>2</sub> emissions by approximately 80,000 tonnes.

# ATCO Electric Works for a Greener Legacy



*“ATCO Electric acted to remediate 77 isolated generating sites across Alberta.”*

During construction of the Dover-Whitefish transmission line in 2004, ATCO Electric, Aboriginal elders, Alberta Fish and Wildlife officers, and trappers mitigated potential adverse effects to wildlife in the area by creating 70 fur-bearer houses made of piles of wood debris recycled from construction materials.

## **ATCO Pipelines' Delicate Management of Watercourse Crossings**

ATCO Pipelines manages approximately 77 major pipeline watercourse crossings, along with hundreds of smaller crossings of rivers, streams and creeks throughout Alberta. Watercourse crossings are one of the most challenging features of a pipeline project due to their environmental sensitivity and protection requirements.

To mitigate adverse environmental affects, ATCO Pipelines' watercourse crossing policy is formed by three principles:

- 1.** Ensure that the fish habitat and aquatic environment of the water body will not be impacted;
- 2.** Restore the hydrological characteristics in and around the water body to their initial condition after the completion of the crossing; and
- 3.** Maintain the integrity of the crossing with an established monitoring program throughout the life span of the crossing.

The goal of all new pipeline watercourse crossings is to ensure the long-term integrity of the crossing for future generations.

In 2003, ATCO Electric targeted the clean-up of 77 sites across Alberta. By 2007, remediation on 74 of those 77 isolated generating sites was complete. Work continues at three sites in 2008: Fort Chipewyan, Simonette and Peace River.

Other initiatives implemented by ATCO Electric in 2007 were:

- Continued development of the bird protection plan, with focus on avoiding the collision or electrocution of birds due to ATCO Electric's facilities. Considerable work has been completed on nesting structures, marking lines in areas of high potential collision, and in facilities such as substations, where there is a higher risk of electrocution.
- The construction of two telecommunication towers in northeast Alberta, using less fuel, fewer emissions, and with no fuel storage. Instead of installing a conventional diesel plant operating continuously, ATCO Electric put in a cycle charge discharge system at both sites. This system runs from battery power for 12 hours, and then propane for three hours (during the propane cycle the battery is recharged). This new method reduces fuel consumption by 80 per cent thereby reducing CO<sub>2</sub> emissions.

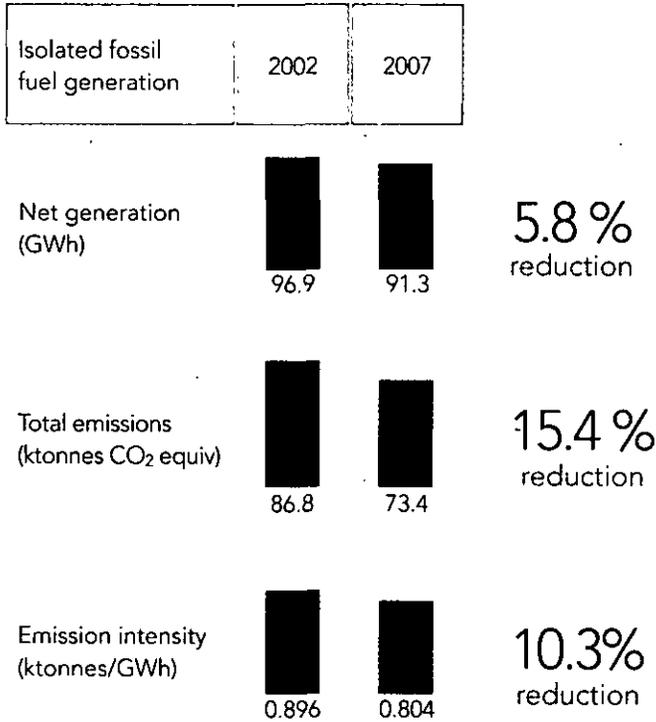
## **ATCO Pipelines Recognized as a Gold Champion Level Reporter**

In March 2007, ATCO Pipelines was recognized as a Gold Champion Level Reporter by the Canadian Greenhouse Gas Challenge Registry for its Greenhouse Gas Action Plan. This is the highest level of achievement possible for the reporting of greenhouse gas emissions in Canada. Since 1994, only 143 companies have achieved the Gold Champion Level.

Attaining the Gold Champion Level required rigorous reporting of all greenhouse gas emissions from operations, plus reductions in greenhouse gas emissions. ATCO Pipelines was able to reduce emissions by increasing the efficiency of compressors used to move natural gas through its system, and also by introducing "zero bleed" pressure control devices. These devices do not release any natural gas during normal operations.

## ATCO Electric Emissions Reductions

ATCO Electric continuously looks for opportunities to improve efficiencies in its operations to reduce emissions. The table below provides the emissions reductions and emissions intensity reductions achieved (along with reduced net generation) between 2002 and 2007.



During one of ATCO EnergySense's 43,000 residential energy evaluations conducted in Alberta, Brad Harrison, Energy Advisor, explains to a customer how a blower-door fan operates as part of his comprehensive energy efficiency home evaluation.

## ATCO EnergySense – Taking the Lead in Energy Efficiency

ATCO EnergySense provides Albertans with energy efficiency advice and improvement services for their homes and businesses. Established in 2001 by ATCO Gas and ATCO Electric, ATCO EnergySense's team of dedicated professionals helps residential and commercial consumers save money on energy costs, become more energy efficient, and contribute to sustaining the environment.

In 2007, the ecoENERGY Home-Retrofit Program was added to ATCO EnergySense's suite of residential services. Developed by Natural Resources Canada, the program encourages home owners to reduce their energy use and lessen their environmental footprint through a comprehensive energy efficiency home evaluation. The program also offers grants managed by the Government of Canada to home owners who make energy-efficient upgrades.

ATCO EnergySense has conducted almost 43,000 residential energy evaluations in Alberta since October 2001 and commercial energy assessments on more than 400 facilities – the equivalent of about 20 million square feet of facility space. In addition, the cornerstone of ATCO EnergySense's services – the advice and outreach provided to the community – has resulted in more than 128,000 emails and telephone calls handled and almost 330,000 unique visitors to the program's web site, [www.atcoenergysense.com](http://www.atcoenergysense.com).

## ATCO I-Tek Minimizes Electronic Waste and Helps Alberta's Communities

ATCO I-Tek donates all used computers, laptops, monitors and printers to Alberta schools and other community organizations in ATCO's vast service territory. These donations help reduce costs for the school or community organization, while extending the life of the equipment and minimizing electronic waste in the environment. In 2007, the company donated more than 2,900 pieces of equipment to the Alberta Computers for Schools program. ATCO I-Tek also donated computers to the 2008 Arctic Winter Games in Yellowknife, Northwest Territories, the Metis Crossing, the Drumheller Citizen Patrol, and the Boys and Girls Club of Edmonton.

# ATCO Gas a Steward of **Energy Efficiency**

The Drake Landing Solar Community in Okotoks, Alberta officially opened in 2007, contributing to a cleaner environment by reducing greenhouse gas emissions by four tonnes annually in each of the 52 homes.

The community south of Calgary is North America's first large-scale solar seasonal storage system and the first in the world to deliver such a high percentage of space heating (90 per cent) from energy collected through solar panels.

Incorporating advanced thermal technology, ATCO Gas provided project management during the construction of the heating system, and will operate and maintain the system during the four-year commissioning period.

For Drake Landing, ATCO Gas was awarded the Best Project in the Alternative Energy category in 2007 from Energy-TV, sharing this award with its project partners (the Town of Okotoks, Sterling Homes and United Communities), and its funding partners (Natural Resources Canada, Climate Change Central and the Federation of Canadian Municipalities).



One of the 52 homes in the Drake Landing Solar Community in Okotoks, Alberta.

In 2007, ATCO Gas continued many other environmental initiatives, including:

- The promotion of natural gas as an alternative fuel for vehicle, forklift and arena applications. The result is much-improved air quality, lower operational costs, and a reduction in greenhouse gas emissions. In Alberta, an additional eight arenas converted their ice resurfacers to natural gas in 2007.
- The phasing out of gasoline-powered fleet vehicles. ATCO Gas operates a fleet of more than 1,000 vehicles; in 2007, nearly 400 were fuelled by natural gas. By 2009, more than 50 per cent of ATCO Gas' fleet vehicles operating in urban centres will be powered by natural gas.

## **ATCO Midstream Uses Efficient Technology to Reduce Emissions**

ATCO Midstream continued to pursue excellence in environmental stewardship and initiated a number of actions to mitigate the environmental impact of its operations. In February 2007, the company replaced an older compressor unit with a more energy efficient model at Legal, Alberta, resulting in a 37 per cent reduction in nitrogen oxide (NOX) emissions. The company has also initiated a fugitive emissions program which will further reduce air emissions. The program utilizes a portable infrared camera to identify leaks within the process equipment. By using infrared technology, the camera quickly and accurately identifies leaks that would not have been recognized using conventional methods.



### ATCO Gas — Estimated CO<sub>2</sub> Equivalent Annual Reduction (tonnes)

1. ENERGYSENSE	2002	2003	2004	2005	2006	2007	Total
Commercial Assessments	7,235	3,921	4,995	5,210	2,231	2,144	25,736
Residential Assessments	11,918	39,516	71,594	40,793	28,637	12,254	204,712
Subtotal	19,153	43,437	76,589	46,003	30,868	14,398	230,448
2. NAIT FUEL CELL							
200 kW Phosphoric Acid Fuel Cell	0	131	782	658	626	600	2,797
3. NGV PROGRAM							
Stations	772	656	647	536	385	302	3,298
Company VRAs	30	33	28	36	25	20	172
Private VRAs	419	412	425	435	412	365	2,468
Subtotal	1,221	1,101	1,100	1,007	822	687	5,938
GRAND TOTAL	20,374	44,669	78,471	47,668	32,316	15,685	239,183

**NOTE:** All greenhouse gas (GHG) emissions reduced by the ATCO Gas programs listed are converted to their CO<sub>2</sub> mass equivalents.

These three programs reduced greenhouse gas emissions by an estimated 239,183 tonnes since 2002 — the equivalent of taking nearly 57,000 vehicles off the road.

1. With the ATCO EnergySense program, commercial and residential assessments are provided to help customers improve their energy efficiency.
2. Under the Northern Alberta Institute of Technology (NAIT) Fuel Cell program, ATCO Gas invested \$1.2 million to develop viable commercial applications for power generated in Canada's first high-voltage, fully operational fuel cell.
3. The Natural Gas Vehicle program enables fleet and private vehicles to operate on cleaner burning natural gas, rather than traditional gasoline. There are currently 300 vehicle refuelling appliances (VRAs) in operation across Alberta.

ATCO's commitment to responsible environmental stewardship ensures a greener legacy for all of the communities ATCO operates in, including the Yukon, home to Yukon Electrical.

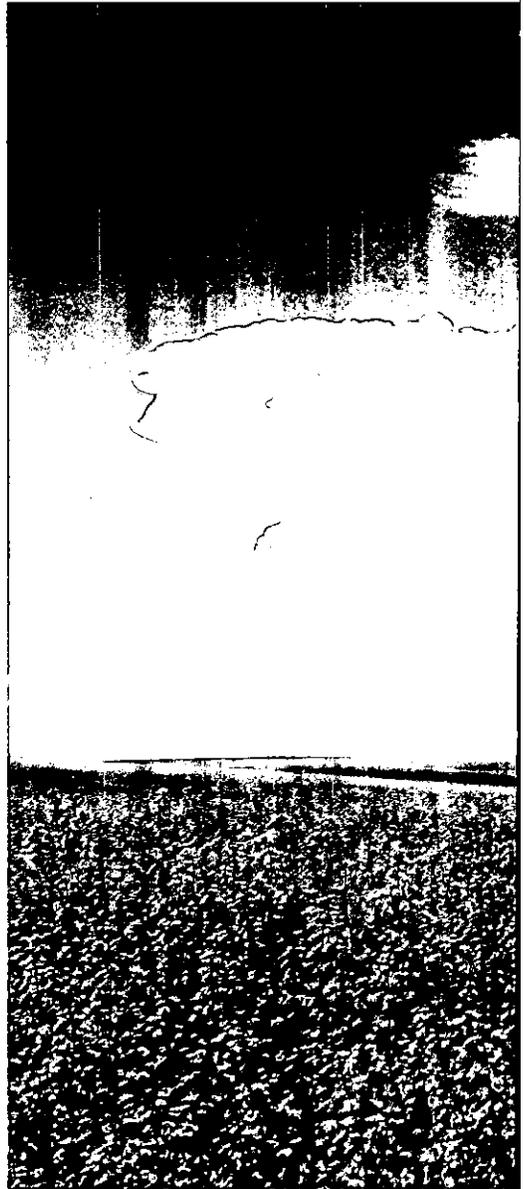
# **ATCO**

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G R O U P

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CANADIAN UTILITIES IS A DIVERSIFIED, CANADIAN-BASED, INTERNATIONAL GROUP OF COMPANIES

FILE NO. 82-34744

# CANADIAN UTILITIES

CANADIAN UTILITIES LIMITED ANNUAL REPORT 2007

## DEFINING EXCELLENCE

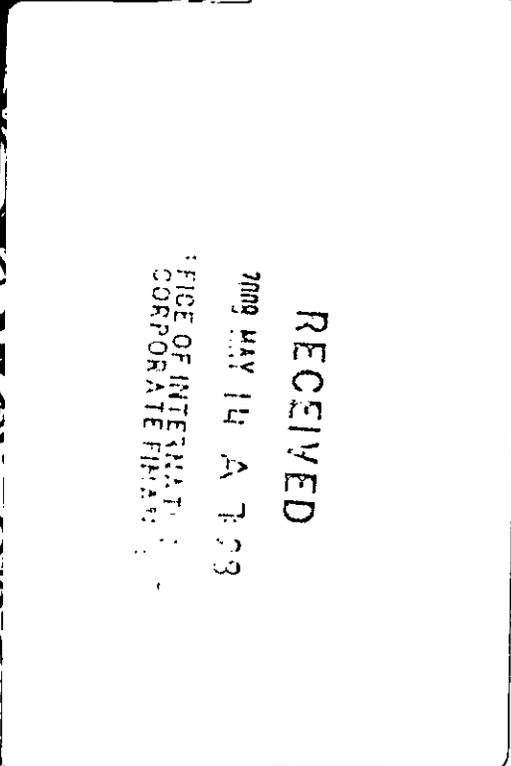
Canadian Utilities in 2007

## INTERNATIONAL SUPPORT

ATCO Frontec's Operations

## ENVIRONMENTAL STEWARDSHIP

Feature Included



CANADIAN UTILITIES LIMITED  
An ATCO Company

# CANADIAN UTILITIES LIMITED

ANNUAL REPORT 2007

**Canadian Utilities Limited** is a diversified, Canadian-based, international group of companies focused on profitable sustainable growth and achievement with **\$7.3 BILLION IN ASSETS AND MORE THAN 6,500 PEOPLE ACTIVELY ENGAGED** IN Power Generation, Utilities (natural gas and electricity transmission and distribution) and Global Enterprises, with companies active in technology, logistics and energy services.

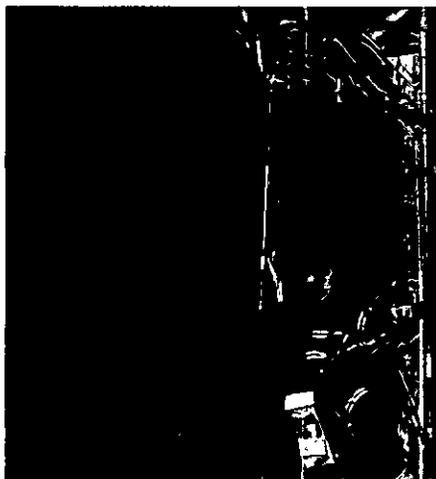
**COVER PHOTO:**

*ATCO Electric owns and operates the transmission line between Bonnyville and Lac La Biche in north-central Alberta.*

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Canadian Utilities in 2007



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ATCO Frontec bolsters military operations worldwide



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Canadian Utilities' initiatives



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## DEFINING EXCELLENCE

## GENERAL INFORMATION:

### INCORPORATION

Canadian Utilities Limited was incorporated under the laws of Canada on May 18, 1927 and was continued under the Canada Business Corporations Act by Articles of Continuance on August 15, 1979.

### ANNUAL MEETING

The Annual Meeting of Share Owners will be held at 10:00 a.m., Wednesday, May 7, 2008 at The Fairmont Hotel Macdonald, 10065-100 Street, Edmonton, Alberta.

### AUDITORS

PricewaterhouseCoopers LLP  
Calgary, Alberta

### COUNSEL

Bennett Jones LLP  
Calgary, Alberta

### TRANSFER AGENT AND REGISTRAR

Class A non-voting and  
Class B common shares and  
Second Preferred  
(Series W and X) Shares  
CIBC Mellon Trust Company  
Calgary/Montreal/Toronto/Vancouver

### TRUSTEE AND REGISTRAR

Debentures  
CIBC Mellon Trust Company  
Calgary/Montreal/Toronto/Vancouver

### STOCK EXCHANGE LISTINGS

Class A non-voting Symbol CU  
Class B common Symbol CU.X  
Listing: The Toronto Stock Exchange  
Cumulative Redeemable Second Preferred  
Shares  
5.80% Series W Symbol CU.PR.A  
6.00% Series X Symbol CU.PR.B  
Listing: The Toronto Stock Exchange

### ATCO GROUP ANNUAL REPORTS

Annual Reports to Share Owners and  
Financial Information (Consolidated Financial  
Statements & Management's Discussion and  
Analysis) for Canadian Utilities Limited and  
its parent company, ATCO Ltd., are available  
upon request from:

ATCO Ltd. & Canadian Utilities Limited  
Corporate Office  
1400, 909 – 11th Avenue SW  
Calgary, Alberta T2R 1N6  
Telephone: (403) 292-7500  
Website: [www.canadian-utilities.com](http://www.canadian-utilities.com)  
[www.atco.com](http://www.atco.com)

### SHARE OWNER INQUIRIES

Dividend information and other inquiries  
concerning shares should be directed to:  
CIBC Mellon Trust Company  
P.O. Box 7010  
Adelaide Street Postal Station  
Toronto, Ontario M5C 2W9  
Telephone: 1-800-387-0825  
Outside of North America: +1 (416) 643-5500  
Fax: (416) 643-5501  
Website: [www.cibcmellon.com](http://www.cibcmellon.com)

Printed in Canada



# FINANCIAL HIGHLIGHTS

## CONSOLIDATED ANNUAL RESULTS

YEAR ENDED DECEMBER 31

(millions of Canadian dollars except per share data)	2007	2006
<b>FINANCIAL</b>		
Revenues	2,404.9	2,430.4
Earnings attributable to Class A & Class B shares	386.7	323.9
* Adjusted earnings	343.8	320.8
Total assets	7,285.4	6,993.5
Class A & Class B share owners' equity	2,521.7	2,324.7
** Funds generated by operations	725.9	657.5
Capital expenditures	700.8	567.7
<b>CLASS A NON-VOTING &amp; CLASS B COMMON SHARE DATA</b>		
Earnings per share	3.08	2.57
Diluted earnings per share	3.07	2.56
* Adjusted earnings per share	2.74	2.54
Dividends paid per share	1.25	1.40
Equity per share	20.13	18.54
Shares outstanding (thousands)	125,295	125,388
Weighted average shares outstanding (thousands)	125,409	126,219

\* Adjusted earnings are defined as earnings attributable to Class A and Class B shares after adjustment for items that are not in the normal course of business nor a result of day to day operations. The majority of these adjustments in 2007 related to tax issues. This measure is not defined by Generally Accepted Accounting Principles and may not be comparable to similar measures used by other companies.

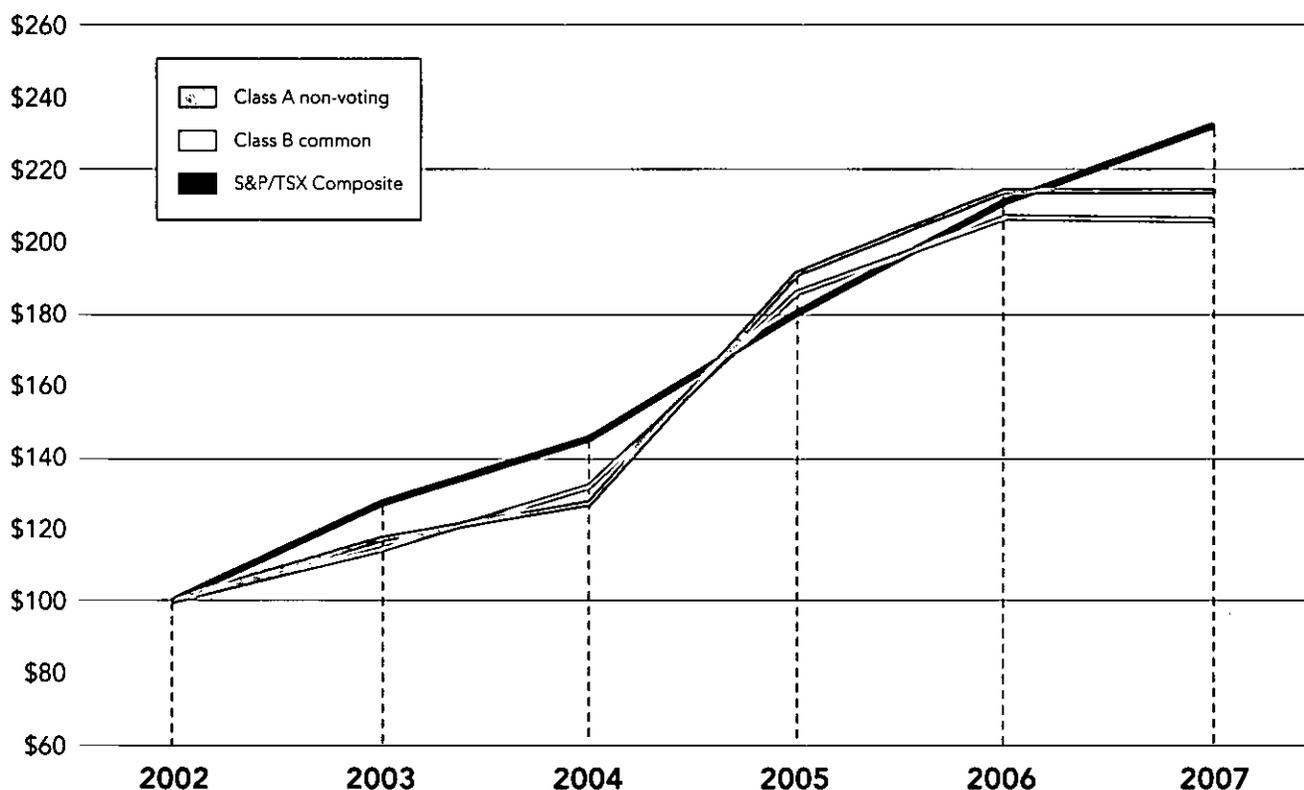
\*\* Funds generated by operations is defined as cash generated from operations before changes in non-cash working capital. This measure is not defined by Generally Accepted Accounting Principles and may not be comparable to similar measures used by other companies.

For further information please see Canadian Utilities' Consolidated Financial Statements - [www.sedar.com](http://www.sedar.com).

### FORWARD-LOOKING INFORMATION:

This Annual Report contains forward-looking information pertaining to contractual obligations, planned capital expenditures, the impact of changes in government regulation, non-regulated generating capacity subject to long-term contracts and the impact of commodity prices. The Corporation's actual results could differ materially from those anticipated in this forward-looking information as a result of regulatory decisions, competitive factors in the industries in which the Corporation operates, prevailing economic conditions, and other factors, many of which are beyond the control of the Corporation.

# Five-Year Total Return on \$100 Investment



## CANADIAN UTILITIES LIMITED Share Ownership

It is important for prospective owners to understand that Canadian Utilities Limited is a diversified group of companies principally controlled by ATCO Ltd., which in turn is principally controlled by Sentgraf, a Southern family holding company.

It is also important for present and prospective share owners to understand that Canadian Utilities share registry has both non-voting and voting common shares.

	COMPOUND GROWTH RATE	CUMULATIVE RETURN
Class A non-voting	16.4%	\$214
Class B common	15.6%	\$206
S&P/TSX Composite	18.3%	\$232

The graph compares the cumulative share owner return over the last five years on the Class A non-voting and Class B common shares of the Corporation (assuming reinvestment of dividends) with the cumulative total return of the S&P/TSX composite index.



“The continued **strengthening** of our relationships with our **customers** and our ability to offer quality solutions that provide product and pricing that is **competitive**, is a key driver across our companies.”

*N.C. Southern  
President & Chief Executive Officer*

*Top Right: Jeff Hebert, ATCO Electric serviceman at a farm near Forestburg.*

*Top Left: During one of ATCO EnergySense's 43,000 residential energy evaluations conducted in Alberta, Brad Harrison, Energy Advisor, explains to a customer how a blower-door fan operates as part of his comprehensive energy efficiency home evaluation.*

*Above: Darcey Schwab with ATCO Gas is surveying a new gas main extension in southern Alberta.*

*Right: ATCO Pipelines continued to develop infrastructure in 2007 to accommodate Alberta's upgraders, petro-chemical and power generating growth.*





# Chairman's Letter to Share Owners

BY R.D. SOUTHERN

**THE LAST FIVE YEARS HAVE BEEN MARKED BY A GREAT QUANTITY OF MANDATED CHANGES IN GOVERNANCE AND AUDITING STANDARDS AS WE NOW PREPARE FOR INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) IN 2011.**

This year we have:

- expanded disclosure in the Proxy Circular;
- rewritten our Management's Discussion and Analysis (MD&A) in an effort to make the document more user friendly;
- as part of Directors' education, prepared a Reference Manual for each Principal Operating Subsidiary. The document will also assist with the indoctrination of new Directors and Officers;
- established an IFRS Project Steering Committee; identified the Project Lead Manager; prepared the overall plan; commenced education sessions and established working groups;
- continued our reviews and refreshment of our policies and mandates;
- reviewed our pensions, internal control design and disclosures; and

- changed the emphasis at our Directors' meetings, minimizing time spent on our consent agenda, committee reports, etc. and freed up time for discussion of strategic issues (with and without management presence).

In all, it has been a most productive year and your Directors and Officers have been engaged to the hilt in these issues. I feel share owners may best judge our progress if the reader can take the time to fully read our 2007 Proxy Circular, Consolidated Financial Statements and MD&A, Annual Information Form and, of course, this Annual Report.

Your Directors would like to recognize the notable achievements of 2007 and thank, in a most emphatic way, the people and the exceptional leadership in all the companies of Canadian Utilities.

Smooth courses are not always open to each of you – but genuinely from all Directors – congratulations on a job well done! . . . more than well done!

William Britton, Brian Drummond, Basil French and Helmut Neldner are retiring from the Board of Directors this year and we are sincerely grateful for their outstanding counsel, commitment and loyal dedication to our Corporation.

We would also like to salute Bill Horton, Walter Kmet and Sam Spanglet, members of our Business Group Boards, who are also retiring, for their dedicated contribution and help in giving us success.

As noted in our Proxy Circular, and if elected to the Board of Directors of Canadian Utilities Limited, we would like to welcome for the first time, Denis Ellard, Bob Normand and Rob Routs.

Respectfully submitted,

R.D. Southern

CHAIRMAN OF THE BOARD



# President's Letter

BY NANCY C. SOUTHERN

TO THE OWNERS OF CANADIAN UTILITIES – I AM DELIGHTED TO REPORT TO YOU ON OUR 2007 RESULTS, YOUR CORPORATION'S BEST-EVER YEAR WHICH REFLECTS A TREMENDOUS EFFORT AND COMMITMENT TO EXCELLENCE BY OUR PEOPLE:

- Earnings of \$386.7 million – up 19 per cent;
- Adjusted earnings of \$343.8 million – up 7 per cent;
- Total assets of \$7.3 billion – up \$291.9 million; and
- The number of people at your Corporation has grown by 500 - up 8 per cent.

These accomplishments continue to be underscored by our focus on safety and reliability in order to deliver sustainable growth for our share owners.

Furthermore, our disciplined approach to growth preserved an exceptionally strong balance sheet in 2007. In fact, during a period of significant financial market turmoil, Canadian Utilities Limited – 52 per cent owned by ATCO – was upgraded by Standard & Poors to an 'A' credit rating from an A-. In light of global credit concerns and as interest rate spreads continue to widen, Canadian Utilities should be in a position to take advantage of a lower cost of debt than many of our competitors in 2008.

It is worthy to note that our credit upgrade occurred in parallel with our \$700.8 million capital program in 2007, primarily driven by infrastructure investment for our utilities operations. The utilities' rate base has grown by \$0.8 billion or 28 per cent over the past three years, and our forecast for the next three years is to invest an additional \$3 billion in utility infrastructure which would have the effect, in the event, of doubling the size of our utility companies in just six years. Even more positive and beneficial, such organic growth will not weigh down our balance sheet with premiums frequently paid for goodwill incurred with acquisitions.

I also want to draw attention to the accumulated business strength created through the diversity of our operations; a vigorous advantage that serves the Corporation well. This long-standing strategy of diversification over multiple business sectors has enabled the Corporation to capitalize on a variety of opportunities.

The 'piston-effect,' that occurs when diverse operating companies are experiencing growth while others may be entering a downturn cycle, has proven successful as a natural hedge and results in the creation of strong, sustainable value. I am especially pleased with our success in a number of areas where new projects were initiated: NATO support in Afghanistan and midstream growth in Saskatchewan and Manitoba.

**“ I would like to congratulate the 6,500 men and women of Canadian Utilities who have worked so industriously this year to deliver excellence and record results to our share owners. ”**

The Managing Directors aptly present the highlights of our operations for 2007, so I will focus on a few comments and perspectives regarding 2008 and beyond.

Our customers are the most important element in our pursuit of future growth, their sophistication and knowledge cannot be underestimated. The continued strengthening of our relationships with our customers and our ability to offer quality solutions that provide product and pricing that is competitive, is a key driver across our companies so we can be first to deliver a complete package or suite of solutions that meets our customers' needs.

The Corporation's growth depends on our ability to gain an intimate understanding of our clients' objectives and a complete picture of what they are striving to achieve. The combination of quality product and superior service will differentiate us from our competitors, drive real value for our customers and create meaningful growth.

There is little doubt that we are experiencing a slow down in economic activity, especially in the United States, which may spread to other nations including Canada. We have proactively prepared our management teams by ensuring they have the right combination of wisdom, capacity and

experience to be the customer's first choice. We have also focused on challenging our 'end to end' processes, sought greater efficiencies and streamlined our ability to deliver on-time and on-budget.

New global purchasing functions are being designed to assist with cost reduction, on-time delivery and quality assurance from our major suppliers. This complements several new strategic alliances recently forged for engineering, procurement and construction.

These initiatives will drive significant benefits by reducing the current high demand on our engineering and project teams, while also reducing costs for large bulk purchases such as wire, utility poles and PVC pipe.

Another progressive step is the development of a new corporate-wide, leading edge human resources information system – part of a parallel initiative to recruit, retain and train an exceptional and committed workforce. In 2008, phase one will enable the Company to more effectively source, track and deploy (among a host of other tasks) people across our organization and around the world.

In 2008, Canadian Utilities' Chief Financial Officer Karen Watson and I, along with your Board of Directors, will dedicate a great deal of time to a strategic review of Canadian Utilities' organizational structure, while evaluating the competitive position of each of our principal operating subsidiaries and their potential for growth in their respective industries.

I would like to congratulate the 6,500 men and women of Canadian Utilities who have worked so industriously this year to deliver excellence and record results to our share owners.

In closing, I also wish to express my sincere appreciation to our Board of Directors, who ardently apply themselves year-round, to the good governance and strategic oversight of your Corporation. The individual and collective wisdom and experience of this remarkable group serves to differentiate Canadian Utilities from its peers.

Sincerely,



N.C. Southern  
PRESIDENT & CHIEF EXECUTIVE OFFICER



# THE YEAR OF DEFINING EXCELLENCE:

CANADIAN UTILITIES in 2007

*"I'm very pleased with the kind of dedication and commitment that our people have shown in meeting our growth challenges this year. In light of record business activity on all fronts I am so proud of our ongoing attention to detail and the fulfillment of our promises to our customers."*

*Nancy Southern, President & Chief Executive Officer*

2007 will be remembered as the year of defining excellence at Canadian Utilities.

The achievement of record financial results reflects the remarkable contributions of the people of Canadian Utilities and the spirit of perseverance that underlies all that the Corporation does.

"In Alberta and around the world, the people of Canadian Utilities are delivering quality products and services despite the very real constraints presented by Alberta's rapid growth," said Nancy Southern, President & Chief Executive Officer.

Heightened attention and sharp focus are being directed towards recruitment, retention and career development, specifically designed to prepare the Corporation's future leaders. The Utilities division alone hired about 400 new people – a key indicator of the Company's growth. Employee orientation and on-boarding programs continued, and a New Graduate Rotational Training Program was introduced in ATCO Power.

---

*Matt Vautour, an apprentice lineman, practices doing live-line work at the Nisku training centre. In 2007, ATCO Electric's Power Lineman Apprenticeship Program had its largest classes yet — 35 apprentices in various stages of their four-year program.*

Many records were set for growth, capital expenditure and safety; recognition and accolades abounded for environmental performance and exemplary, safe projects. The following are but a few of the many awards garnered by Canadian Utilities in 2007.

- An unprecedented four companies, ATCO Power, ATCO Pipelines, ATCO Midstream and ATCO Frontec, were honoured as "Best Safety Performers" by Alberta's Occupational Health and Safety Council.
- ATCO Power also received the Bronze Award of Excellence from the Canadian Electricity Association for employee safety in 2006.
- ATCO Gas was recognized by the Canadian Gas Association for its best practices in pipeline damage prevention. The company achieved the lowest number of third-party damages per 1,000 locates in all of Canada.
- ATCO Gas, ATCO Electric and ATCO Power received the 2007 Corporate Volunteer Award of Excellence in the large business category. Presented by the Wild Rose Foundation and the Alberta Government, the award honours outstanding leadership, commitment and contribution to community building.

- Customer service remained at the forefront, with ATCO I-Tek named as best call centre in the North American energy sector for the second consecutive year.
- ATCO Pipelines achieved the Gold Champion Level Reporter designation – the highest level – from the Canadian Greenhouse Gas Challenge Registry for its Greenhouse Gas Action Plan to mitigate greenhouse gas emissions.

The numerous awards across so many important facets of our business – safety, environment and serving customers – reflect the commitment to excellence that sets Canadian Utilities apart and forms the foundation of the Corporation's success.

"Each division – Utilities, Power Generation and Global Enterprises – performed exceedingly well, contributing to 2007 record earnings in Canadian Utilities," said Ms. Southern. "It was the effort and commitment of our people in each of those divisions that truly made 2007 a year of defining excellence." ■

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*ATCO Gas employees Andrew Kornis (left) and Paul Unangst are both distribution operator field employees in Canmore.*



# UTILITIES

“2007 exceeded our previous year by almost **17 per cent** in capital expenditures. The Utilities division invested a record \$589 million in new infrastructure in Alberta — it was truly a remarkable year.”

*Siegfried Kiefer, Managing Director, Utilities*

*With 25 years of service, Siegfried Kiefer leads the Utilities division as its Managing Director, appointed to the role in 2004. Mr. Kiefer has also served as Chief Information Officer since 1998.*



## **ATCO Gas**

- An Alberta-based, province-wide natural gas distribution company
- More than 2,000 employees
- Serves more than one million customers in nearly 300 communities

## **ATCO Electric**

- Builds, operates and maintains transmission and distribution lines in northern and east-central Alberta
- More than 1,200 employees
- Serves more than 197,000 customers in 245 communities

## **Yukon Electrical** An **ATCO** Company

- Yukon Electrical provides electricity to more than 15,000 customers in 19 communities from south of the Yukon border to north of the Arctic Circle
- More than 50 employees

## **Northland Utilities** An **ATCO** Company

- Northland Utilities provides electricity to more than 10,000 customers in nine communities throughout the Northwest Territories
- More than 40 employees

## **ATCO Pipelines**

- A provider of natural gas transmission services to producers, major industrial users and gas distribution companies in Alberta
- More than 300 employees
- Provides peak delivery of 3.7 billion cubic feet per day

## **CU WATER LIMITED** An **ATCO** Company

- Owns and operates 153 kilometres of water transmission pipeline

# UTILITIES

## **ATCO Gas**

*ATCO Gas customers receive the lowest rate in the entire country for natural gas distribution — from a company with nearly a century of experience behind it.*

ATCO Gas grew with Alberta in 2007, completing a record number of installations while at the same time establishing new safety performance standards.

The numbers are significant. In 2007, capital expenditures surpassed \$191 million as the company expanded and maintained its extensive natural gas delivery system consisting of 36,487 kilometres of pipeline to support Alberta's booming economy.

Almost 32,000 customers were added to the system — an average of 87 homes, businesses and institutions per day — with the largest increase in northern Alberta. A significant milestone for the company was adding the one millionth customer to the system. (See sidebar story).

The growth kept distribution operators busy, as the people of ATCO Gas completed 625,016 jobs at 599,242 service calls. These jobs included equipment and appliance inspections, meter installations and moves, emergency response to gas odours and carbon monoxide calls, and requests to re-light appliances — all within the lowest delivery charge in Canada.

"In ATCO Gas our people not only completed a record amount of work, they also established new records of health and safety performance," said Siegfried Kiefer, Managing Director, Utilities. "That is a tremendous accomplishment and it demonstrates the dedication and commitment of our employees."

ATCO Gas is regulated by the Alberta Utilities Commission (AUC), formerly the Alberta Energy and Utilities Board (AEUB), which approves rates for services. ATCO Gas filed a General Rate Application in 2007 for the period 2008 and 2009 and expects a decision in the third quarter of 2008.

## **ATCO GAS CELEBRATES ONE MILLIONTH CUSTOMER**

**ATCO GAS REACHED AN HISTORIC MILESTONE IN 2007 — THE ONE MILLIONTH CUSTOMER WAS CONNECTED TO THE COMPANY'S SAFE, RELIABLE, PROVINCE-WIDE, NATURAL GAS DISTRIBUTION NETWORK.**

At a special ceremony, Edmonton homeowner Mike Carson was presented with a natural gas barbecue and gift basket from the famed ATCO Blue Flame Kitchen.

"This watershed in the ATCO Gas story is important, not only because it reflects the tremendous growth and development our province has seen over the years but also because it gives us pause to express our gratitude to Albertans for allowing the company to be such an essential and continuous presence in their homes for so many years," said Nancy Southern, President & Chief Executive Officer, Canadian Utilities.

This major milestone in the history of ATCO Gas may have seemed unimaginable when, in 1952, the company celebrated what was then a remarkable achievement — 100,000 customers.

"Despite the phenomenal level of construction activity in the province, the people of ATCO Gas put safety first in everything they do," said Jerome Engler, President, ATCO Gas. "The greatest compliment for ATCO Gas is that on most days our customers don't even know we're there."



*A province-wide print recruitment campaign, celebrating the one millionth customer, featured images of ATCO Gas' people.*

Recruiting and retaining a sufficient number of skilled people is essential to the success of ATCO Gas and extensive work continues to ensure the company is an employer of choice.

ATCO Gas employs more than 2,000 people, including engineers and accountants, distribution operators and meter readers, technologists and clerical employees. In 2007, the company recruited 233 people, from new graduates to experienced professionals.

"I'm very pleased with the ability of the Utilities division to recruit quality personnel in 2007. I think a lot of that comes from our reputation. We're very well-regarded by our customers," added Mr. Kiefer. "In fact, one of the things that pleases me most when I go into the field are the positive compliments I receive from customers about our personnel. Everyone at ATCO is keeping that reputation for excellent customer service intact."

## **ATCO Electric**

*ATCO Electric's transmission and distribution power lines are the arteries that supply Alberta customers with electricity — whether to the booming oil and gas communities of Fort McMurray and Grande Prairie, the rugged, mountainous resort town of Jasper, or the steep, dry coulees of Drumheller.*

ATCO Electric operates and maintains more than 68,600 kilometres of transmission and distribution power lines and operates approximately 12,000 kilometres of distribution power lines on behalf of Rural Electrification Associations.

Of significant importance, ATCO received final AEUB approval in late 2007 to proceed with construction of a new 240-kV transmission line in northwest Alberta.

"That approval was completed without any landowner issues, which in this day and age, where land use is a contentious area, is a remarkable achievement. I'm very proud of our people for working with our customers to find a solution that's acceptable for their needs," said Mr. Kiefer. (See story on page 13).

During 2007, ATCO Electric experienced record levels of capital work in distribution and transmission due to growing customer demand and intense economic activity in Alberta. This kind of growth creates both challenges and opportunities, particularly with those operations in the high growth areas of the province like Fort McMurray and Grande Prairie.

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*Clinton Hesje is an assistant operator at ATCO Electric's system control centre (SCC) in Vegreville. The SCC is the veritable mission control of ATCO Electric, where employees are responsible for controlling more than 9,100 kilometres of transmission lines and 147 substations.*



# ATCO ELECTRIC'S COMMUNITY CONSULTATION SETS GROUNDWORK FOR 240-kV TRANSMISSION LINE

ATCO Electric's new Brintnell-Wesley Creek transmission line, which will strengthen the grid system in Alberta's northwest, stands testament to ATCO's commitment to community consultation.

The new 240-kilovolt (kV) line will extend from the Wabasca area of Alberta, northeast of Slave Lake, to the Peace River region to support increasing power needs in that burgeoning part of the province.

The critically important 226-kilometre line project was only possible after consultation with, and input from, involved landowners, First Nations and Aboriginal communities in the fall of 2006.

Those talks were smoothly executed in advance allowing the project to launch ahead of schedule. The consultations were the result of positive relationships nurtured by several groups, including ATCO Electric's Aboriginal Relations team.

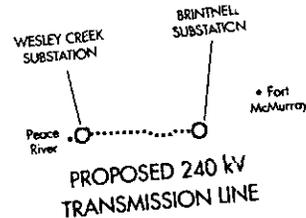
ATCO has a long-standing commitment to build and maintain positive relations with Aboriginal communities throughout the areas the company operates and serves.

"We initiated our project consultation as soon as possible and I believe working together with the communities led to our success," said Andre Schutta, Director, Aboriginal Relations, ATCO Utility Business Group. "We listened to the communities' concerns and met the commitments. Elders and community members went out to see the right of ways and the project ... it's all about building and maintaining positive relationships."

At the same time, ATCO Electric's engineers were working daily to keep landowners and Aboriginal groups involved in each step of the process.

"Consultation is an ongoing process. It goes through phases. This is always a sensitive area and ATCO has always been very sensitive to landowners' concerns," said Ray Boven, ATCO Electric Vice President, Engineering.

ATCO Electric prides itself in being a good corporate citizen and having positive relationships with the communities in the vicinity of its operations. Building relationships with Aboriginal communities and other landowners along the wire corridor is equally important.



**"We listened to the communities' concerns and met the commitments. Elders and community members went out to see the right of ways and the project ... it's all about building and maintaining positive relationships."**

The result is a transmission route that minimized the impact on communities, landowners and the environment.

The Brintnell-Wesley line is expected to be completed by March 31, 2010 at an estimated cost of \$210 million and includes the expansion of two existing substations.

The project is the first major transmission line for ATCO Electric since the Edison Award-winning Dover-to-Whitefish transmission line was completed in 2004.

The company invested a record amount in capital – more than \$296 million – over 30 per cent more than was spent in 2006, the previous record year. That included more than \$161 million invested in distribution (an increase of over 20 per cent from 2006) and \$91 million in transmission (a 43 per cent increase from 2006). ATCO Electric also invested millions of dollars in technology, fleet and isolated generation.

“At ATCO Electric, all of the in-service date targets for transmission capital construction programs were met, except for one, which is quite a track record given what’s going on in the province today,” said Mr. Kiefer. “The in-service date target that was not met was delayed as a result of the regulatory process, so I feel very good about our people and their determination to deliver on our commitments.”

ATCO Electric added 6,233 new customers, bringing the total number served to 197,364 in 245 Alberta communities. To manage this incredible growth, in 2006 ATCO Electric started to implement improvements in the way it plans, builds and resources new lines.

Great progress was made in 2007 — the first full year under the new improvement processes.

ATCO Electric is at various stages of developing or implementing technology-based initiatives to ensure the safe, reliable delivery of electricity. These initiatives include Workforce Management, Outage Management and Geographic Information Systems, tools which will assist field employees to manage a growing workload and ensure their safety through the use of Global Positioning System technology.

Following two hearings before the AEUB — one on the 2007-08 General Tariff Application in May and another on proposed new distribution rates in June — the company received decisions and implemented new rates, effective January 1, 2008.



**CU WATER LIMITED**  
An **ATCO** Company

CU Water owns and operates 153 kilometres of water transmission pipeline from Sherwood Park to Kinsella, Alberta. In addition to serving communities along the

transmission pipeline, approximately 200 kilometres of distribution pipeline serve rural subdivisions and intensive livestock operations.

During the year, the company extended a distribution pipeline to Camrose County, southeast of Edmonton, to serve the hamlets of Round Hill and Kingman. An additional 41 customers were added along the existing distribution system.

For the third consecutive year, CU Water employees completed the year with both zero lost time injuries and zero preventable vehicle collisions.

*The Northwest Territories and the Yukon are envisioned to be the next frontiers for significant development and growth in Canada. Yukon Electrical and Northland Utilities are poised to be part of this vision.*



At Yukon Electrical Company Limited, work is ongoing to develop and implement a new billing system for the “North of 60 companies,” including Yukon Electrical. It will offer more than 15,000 customers more options and enhance their existing billing services.



Northland Utilities completed year three of the eight-year 25-kV conversion of the distribution system in Yellowknife.

In Hay River, Northland Utilities assumed a lead role in the “Blue Ribbon Campaign,” in honour of fallen RCMP Constable Chris Worden. The campaign was a tribute to his family and in appreciation of the RCMP. Northland staff placed blue ribbons on nearly 100 streetlight poles in downtown Hay River leading towards the Worden residence.



## **ATCO Pipelines**

*ATCO Pipelines owns and operates approximately 8,400 kilometres of pipelines and has 236 receipt points on its system.*

ATCO Pipelines continued to experience significant increases in its capital expenditures with an \$87 million capital program in 2007. This level of capital commitment was required to ensure that the capacity and integrity of its pipeline system was sufficient to meet peak day requirements for the growth of the distribution market and industrial demand.

In addition, the increased infrastructure work undertaken by governments and other large-scale projects by the oil and gas industry required ATCO Pipelines to relocate its existing facilities on an ever-increasing scale. One of the major pipeline relocations took place on the Muskeg River pipeline system to accommodate the expansion of the Albian Sands mining operation near Fort McMurray.

In February, ATCO Pipelines completed a \$16.3 million Hinton-Wabamun expansion project near Hinton that resulted in 50 million cubic feet per day (Mmcf/d) in new, incremental firm service receipts at the Fishnet Meter Station. The project involved an expansion of the station, 11 kilometres of new 323 millimetre pipeline, a

new compressor station at Sundance, and a new meter station and tie-in with NOVA Gas Transmission Ltd. near the town of Edson.

ATCO Pipelines continued to develop infrastructure to accommodate upgraders, petro-chemical and power generating growth in the Alberta industrial heartland region, one of ATCO Pipelines' key customer areas. In 2007, the preliminary design work for the relocation of a number of pipelines within its system in the Fort Saskatchewan area was completed to accommodate the expansion of one of these upgraders.

Construction of a natural gas delivery meter station for a new power generating station located on the east side of Edmonton was completed and preliminary design work has commenced to supply natural gas to a new power generating unit to be constructed in the Lake Wabamun area, west of Edmonton.

To accommodate continued growth, ATCO Pipelines began construction of a new building in east Edmonton. When completed in mid-2008, the 29,000 square foot facility will accommodate more than 175 people currently located in Edmonton to better serve customer needs. ■

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*Above: ATCO Pipelines owns and operates natural gas transmission facilities throughout Alberta and is an integral part of the provincial gas transmission system.*



# COMMITMENT TO COMMUNITY

## FOCUSING ON RURAL COMMUNITIES

Enhancing and strengthening the communities where employees work and live is a CU commitment. That pledge is exemplified in a variety of forms and best demonstrated by the meaningful relationships the company has established throughout rural Alberta.

In every corner of the province, CU operating companies are hiring people from the local population and contributing to the quality of life in those communities through numerous investments. By developing meaningful partnerships with non-profit organizations and giving time and expertise, as well as financial support, CU is committed to helping create healthy, vibrant Alberta communities. The Company supports hundreds of projects and programs every year.

CU focuses on sustaining organizations or causes that support the following key areas: Health and Welfare; Community Development; Arts and Culture; Sports and Recreation; and Youth and Education.

At Viking, 140 kilometres southeast of Edmonton, the Company played a key role in rebuilding the Carena Complex that was severely damaged by fire in 2005. The facility serves as a hockey arena and community focal point. The new building, opened in August 2007, features the ATCO Community Corner in this dynamic facility that serves as an important gathering area for residents.

In 2007, ATCO Gas became centralized in Viking with a new District Operations Centre. ATCO Gas operates 62 agency offices across Alberta and, with the help of employees in these offices, the company supports valuable community efforts that help youth, protect the environment and support the sustainability of rural Alberta.

ATCO Power is also working to enhance Alberta's rural communities. The company contributed to the lifestyles of elderly people in Hanna, 215 kilometres northeast of Calgary, by donating new computers to the Hanna Senior Citizens Lodge.

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*Left: ATCO Midstream employees participate in the Heart and Stroke Foundation's annual "Big Bike" Fundraiser at the Eau Claire Market in Calgary. 2007 marked the eighth year ATCO Midstream employees have taken part in the event.*

*Right: The people of ATCO I-Tek embody the spirit of ATCO Employees Participating in Communities (ATCO EPIC), giving their time, talents and resources throughout the year to make a difference in their communities. Employees joined President Bobbi Lambright at Norwood Elementary School in Edmonton's inner city spending time with students and helping teachers deliver programs.*

ATCO Energy Theatre, a new ATCO Gas/ATCO Electric initiative, is a safety education commitment involving a play that toured rural Alberta. Teaching approximately 10,000 students about gas and electric safety, the free-of-charge production visited 22 rural communities in November alone with stops in communities along Highway 16 west and east of Edmonton, north to High Level and Fort McMurray.

ATCO Gas served as a Gold Sponsor at the Alberta Senior Games held in Fort Saskatchewan, northeast of Edmonton, this past summer. The Games are a premier multi-sport and cultural event that drew 1,200 participants from around Alberta.

ATCO Gas also made a commitment to post-secondary education in Alberta by helping to finance Lakeland College's expansion of its Lloydminster and Vermilion campuses.

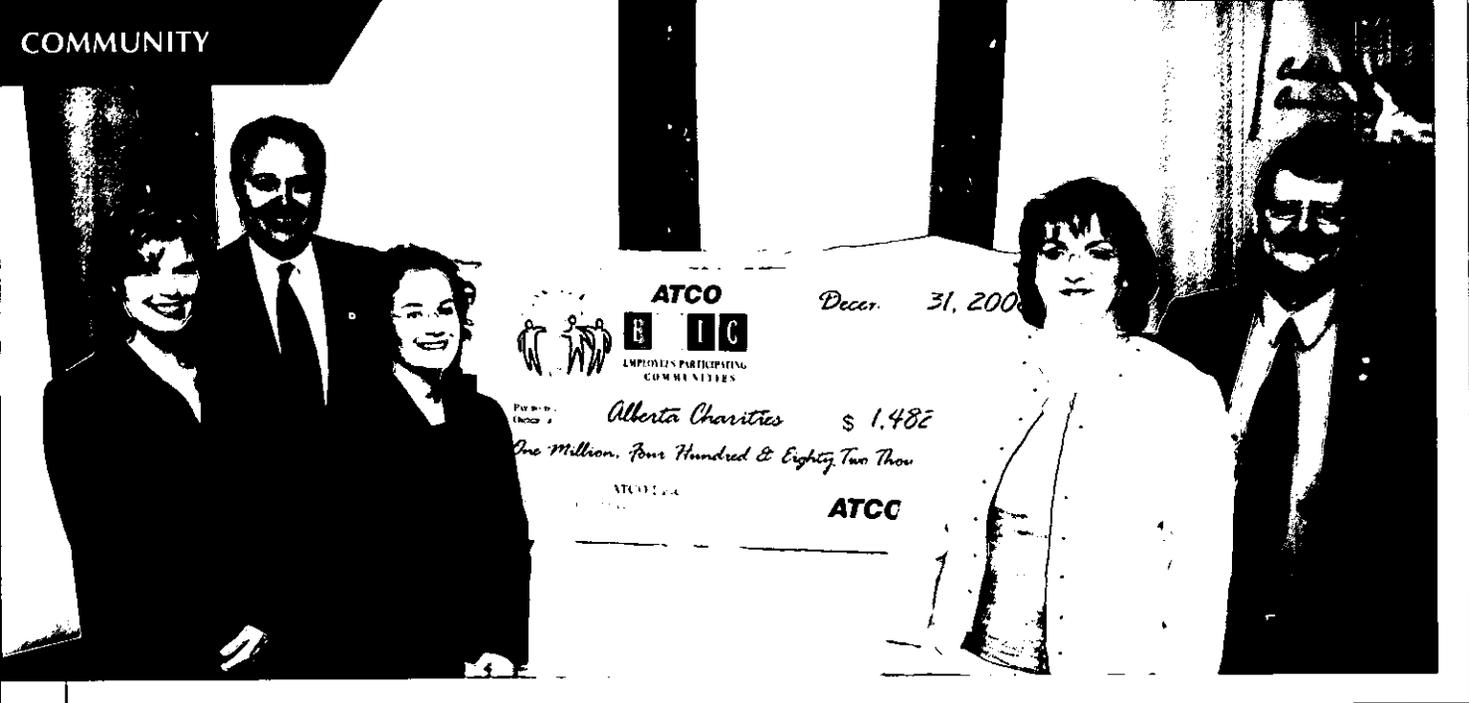
ATCO's commitment to communities was recognized in 2007 as recipients of the Alberta Wild Rose Foundation's 2007 Corporate Volunteer Awards of Excellence (Large Business). This recognition personifies the Company's strong belief in being an active participant in the communities where it operates. (See story on page 19).



*Above: Leanne Norman (left) and Nieves Manaois from the ATCO Power Calgary office were part of a volunteer group that sorted food at the Calgary Interfaith Food Bank as part of a Days of Caring event held in October. Days of Caring events are employee volunteer opportunities arranged through the ATCO EPIC program, allowing employees to actively participate in community support events.*

*Below: Rachel Bowron (left), Codie Mitchie (centre) and Jenna Dykes, graduates of Edmonton's Grant MacEwan Theatre Arts program, are ATCO Energy Theatre's dynamic three-person acting troupe. ATCO Energy Theatre uses "edu-tainment" to teach young children about natural gas and electricity, their hazards and how to avoid harmful situations.*





In addition to corporate initiatives, the Company supports its people by contributing funds donated to charities selected by employees. ATCO EPIC raised money for more than 450 communities and charities. The Company further sustains this employee-led initiative by enabling employees to oversee the various program elements.

“Our people strive every year to increase support for Alberta charities and community service organizations. In true testament to their efforts, more money was raised in 2007 than ever before,” said Siegfried Kiefer, Managing Director, Utilities.

Participation in community programs is encouraged and supported through the Employee Volunteer Recognition Program – where an employee contributing 50 hours of volunteer effort receives up to \$150 for the registered charity of their choice.

In Canada’s North, ATCO and Yukon Electrical partnered in a unique initiative to restore MV Dorothy, a 33-foot, wood sailing vessel that dates back to 1933. The vessel played a significant role in Yukon’s history.

A highlight for the year included CU’s involvement in the 2007 Canada Winter Games in Whitehorse in February. It was the first time this national sports showcase was held “North of 60.” ATCO I-Tek provided desktop and laptop computers for staff and operations. Yukon Electrical Limited, which has powered Whitehorse since 1901, supplied electrical services and ATCO Structures was the exclusive supplier of temporary modular units on-site.

Continuing with the tradition of supporting athletes to achieve the highest standards and to showcase the Company’s commitment to excellence, ATCO is an official sponsor to the 2008 Arctic Winter Games in Yellowknife, NWT.

- ATCO Structures – providing modular showers and washroom units for the expected 2,000 athletes, as well as units at various event locations.
- ATCO I-Tek – donating 100 laptops for use by Games officials and in ATCO Connect Cafés for athletes and their families. The computers will remain in local community schools after the Games.
- Northland Utilities – providing electrical services as required.
- ATCO Frontec – volunteering in various roles to support the community.

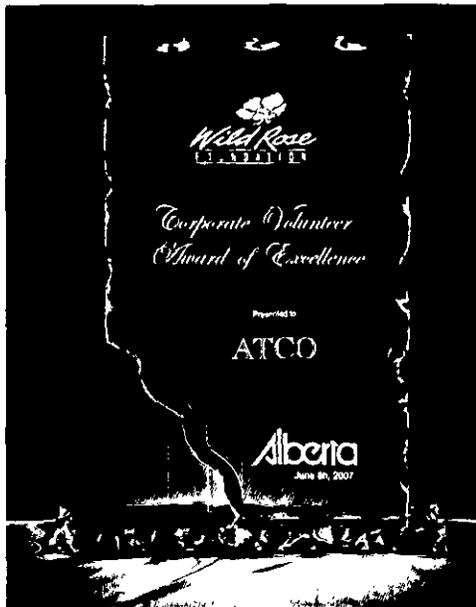
Unique to the Games will be the equal profile given to the ‘cultural component’ of which ATCO is the presenting sponsor. With eight locations around Yellowknife featuring photography, film making, performance, and sculptures created from recycled material, the Games are a celebration of Art and Sport and ATCO’s employees in Yellowknife are pleased to be a part of the 20th Anniversary of the Arctic Winter Games. ■



*Above: Employees celebrate their ATCO EPIC fundraising efforts for Alberta charities and communities. From left to right are: Marcene Jacobi, ATCO Pipelines; Siegfried Kiefer, Managing Director, Utilities; Kim Simon, ATCO Gas; Sue Hagen, ATCO I-Tek; and Glen Sutton, ATCO Electric.*

# CANADIAN UTILITIES' COMMITMENT TO COMMUNITY

SYMPOSIUM AMONG HUNDREDS OF INITIATIVES



On April 10, 2007, more than 100 local government and community leaders gathered at the Hanna and District Community Centre in southeast Alberta to attend ATCO's eighth annual Community Symposium entitled *Vision for the Future: Building a Vibrant Organization*.

Hosted by the Town of Hanna in partnership with ATCO Gas, ATCO Electric and ATCO Power, the leaders were on hand to learn how to build better lives for the people and the organizations they serve.

Two days later, in the village of Kitscoty, half-way between Edmonton and Saskatoon, another 134 leaders attended a similar session to hear experts provide insights on recruitment, technology, partnerships and a variety of best practices to help build a great organization in an era of unprecedented change.

"Volunteers and volunteer organizations enrich community life," said Pat Burns, Mayor of the Town of Hanna, noting his community was very pleased to "host a symposium on a subject so important to community life in Alberta."

For supporting symposiums in rural areas, the Hanna Learning Centre nominated the companies for the province's Corporate Volunteer Award of Excellence, established by the Government of Alberta and the Wild Rose Foundation to honour and recognize the contributions of private sector corporations, businesses and their people.

As he presented the Large Corporation 2007 award to ATCO, Hector Goudreau, Minister of Tourism, Parks, Recreation and Culture, said: "Across the province, companies and businesses are embracing what it is to be a responsible corporate citizen and are giving back to the community in many important ways. This year's Corporate Volunteer Awards of Excellence winners have shown outstanding commitment and contribution to community building."

Community and capacity building are integral to how Canadian Utilities conducts business. Almost all attendees this year were satisfied with what they learned. More than 90 per cent said it was an effective program to build leadership capacity.

"ATCO Gas and ATCO Electric have a long history of supporting rural Alberta and the people who live and work there," said Sett Policicchio, President, ATCO Electric. "This year's symposiums provided community members a terrific opportunity to share information and network with other people who have had success preparing their organizations for the future."

# POWER GENERATION

“Power Generation had a very good year in terms of health and safety recognition, earnings, and major **progress** in our **growth** areas.”

*Dick Walthall, Managing Director, Power Generation*

*Appointed to the role in 2006, Dick Walthall, with 19 years of ATCO experience, leads the Power Generation division as its Managing Director.*

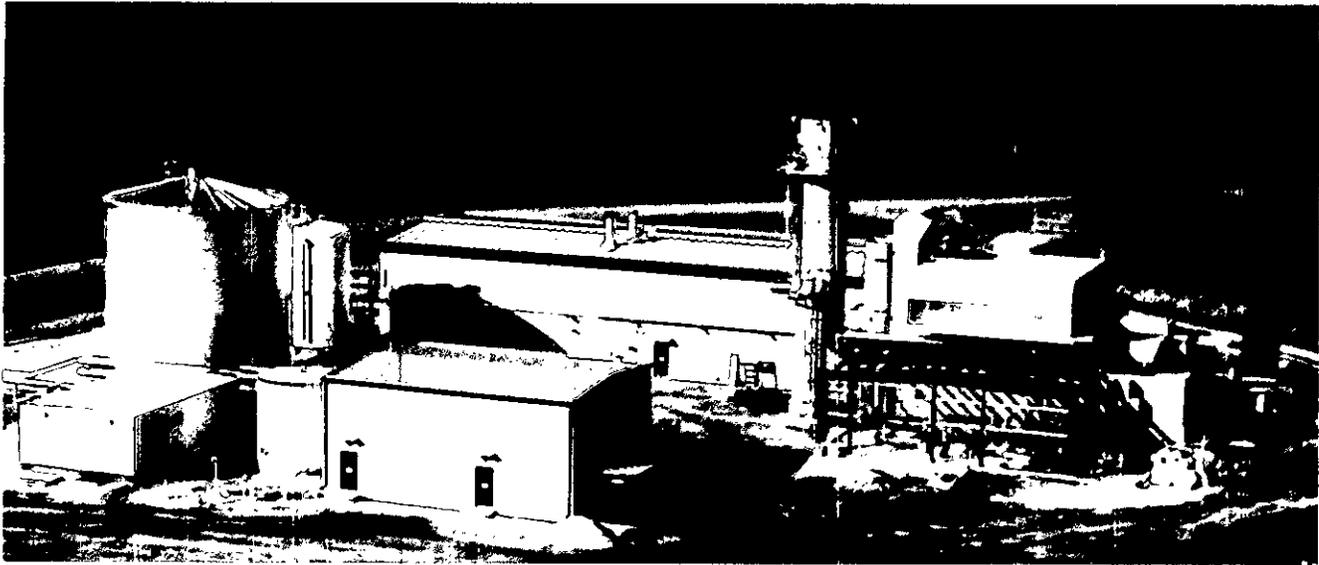


## **ATCO Power**

- Develops, constructs, manages, owns and operates technologically advanced and environmentally progressive independent power generation plants
- Approximately 500 employees
- Operates 19 power plants in Canada, the United Kingdom (U.K.) and Australia with a combined capacity of more than 4,800 MW

## **ASHCOR Technologies**

- Markets coal combustion products from ATCO Power's coal-fired generating stations in Alberta
- The predominant product marketed is fly ash – the non-combustible residue remaining after coal is consumed in a power plant furnace



## ALBERTA MERCHANT MARKET AND DIVERSE OPERATIONS BOOSTS POSITIVE EARNINGS GROWTH



In 2007, the Power Generation division experienced positive earnings growth. This is primarily as a result of continuing strong returns from the Alberta merchant market (albeit lower than in 2006), good availability of the Alberta generating stations, the success of ATCO Power's Australian operations (see story on page 24) and no negative HR Milner tax adjustment as recorded in 2006.

ATCO Power also spent considerable effort in 2007 focusing on its long-term growth plan with a goal to continue developing projects with lower carbon intensity for its portfolio.

The company received provincial and national recognition for its focus on safety: a Bronze Medal of Excellence from the Canadian Electricity Association for employee safety and – for the third consecutive year – a Work Safe Alberta Best Safety Performer Award.

Numerous human resource initiatives were started, including an innovative 'New Graduate Program' which involves a 20-month rotation through different jobs to find the best possible career placement.

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**Above:** ATCO Power's 45-MW Valleyview Generating Station, commissioned in 2001, provides system support in northwestern Alberta. Valleyview 2, a 45-MW expansion, is currently under construction adjacent to the original facility and is expected to be completed in the fall of 2008.

### CANADIAN OPERATIONS

During the year the 760-MW Sheerness Generating Station received environmental approval to operate for the next 10 years, demonstrating ATCO Power's substantial commitment to operational excellence and community consultation.

In May, ATCO Power announced it will build a second unit for the gas-fired Valleyview Generating Station. The 45-MW 'peaking' facility is designed to solidify provincial grid stability, while providing quick access to additional power when needed.

The project demonstrates ATCO Power's commitment to the deregulated Alberta marketplace by increasing capacity in the fast-growing area of northwest Alberta. The station is capable of producing enough electricity to power more than 36,000 homes and is the 10th power generating unit built by ATCO Power in Alberta since 1997. The expected commercial operation date is in the fall of 2008.

The 32-MW Oldman River Hydro Project is an environmentally progressive, 'run-of-river' hydroelectric generating plant developed at the Oldman River Dam near Pincher Creek, Alberta. The plant is 60 per cent owned by ATCO Power and 15 percent by ATCO Resources Ltd. In July the Piikani Nation of Brockett, Alberta exercised its option to purchase a 25 per cent ownership interest in the facility.

U.K. OPERATIONS

Through its Thames Power subsidiary, ATCO Power is the operator of the Barking Power Station in the U.K. In May, agreement was reached with the station's bankers that enabled a significant pre-payment of debt principal, resulting from the settlement of the company's claim against the administrators of TXU Europe.

During the first nine months of the year, the station performed exceptionally well with very high levels of availability. In October, a generator failure caused one combined cycle gas turbine block to be shut down for remedial repairs. This unplanned outage reduced the output of the plant by approximately 60 per cent.

A number of environmental initiatives were implemented in partnership with the local authorities in London, including a commitment to waste reduction. In addition, the Thames Gateway, a designated development zone in East London, is studying proposals to use heat from the Barking Station to supply a planned district heating network.

The environmental license to operate the station was renewed in 2007, for the first time since commissioning in 1995, in order to conform to new legislation. In December, planning consent for a proposed 470-MW expansion of the Barking Power Station was received from the U.K. government.

AUSTRALIAN OPERATIONS

The ATCO Power operated plants in Australia, Osborne Cogeneration Station in Adelaide and the Bulwer Island Cogeneration Station in the BP Refinery in Brisbane, exhibited strong performances in 2007.

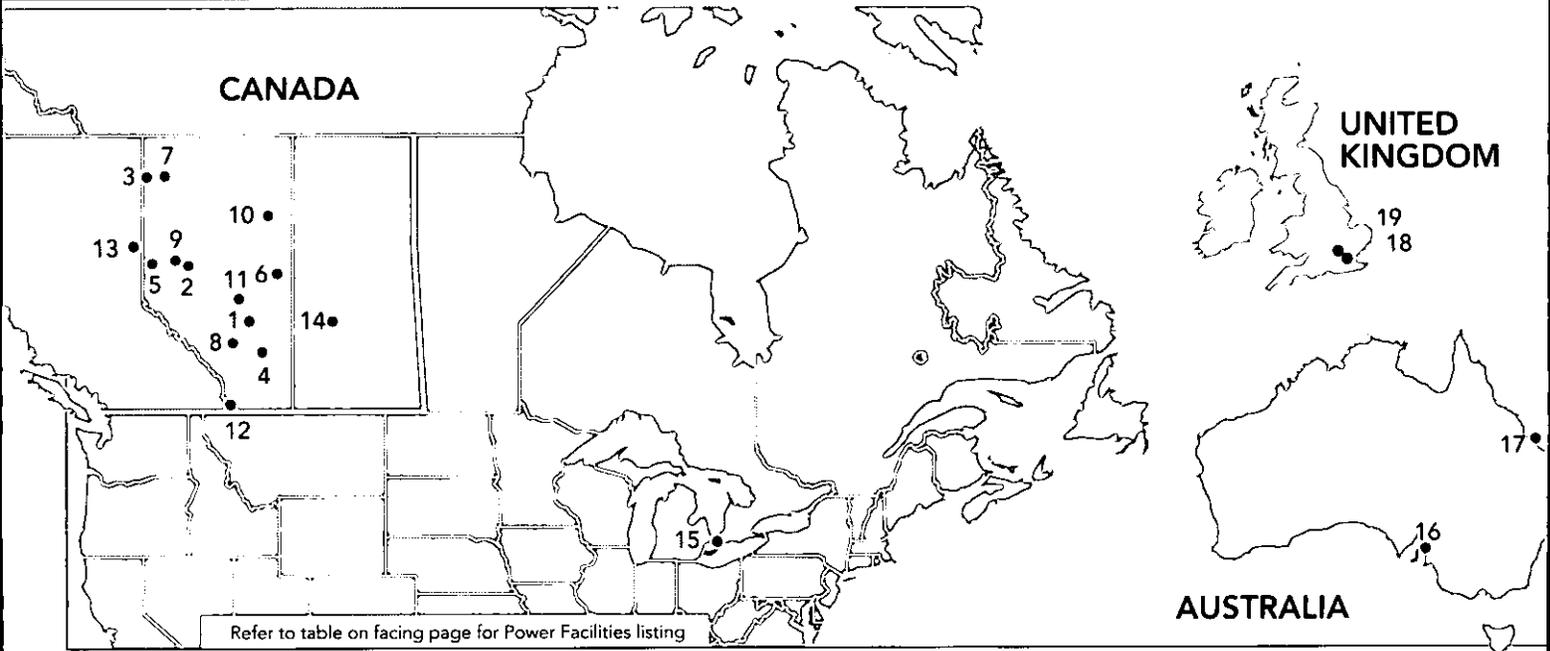
Osborne conducted a \$1 million (Australian dollars) upgrade to increase electricity output and further implemented a significant water conservation project in 2007. Details on these initiatives are outlined in the enclosed Environmental Stewardship feature – page 3.

**ASHCOR Technologies**

ASHCOR Technologies had another record year marketing coal combustion products from ATCO Power's coal-fired generating stations in Alberta. The predominant product marketed by ASHCOR is fly ash – the non-combustible residue remaining after coal is consumed in a power plant furnace.

During the year, the company expanded ash utilization in road base materials, hazardous waste solidification and as an extender in asphalts. ASHCOR established its presence in the Pacific Northwest marketplace through a number of strategic alliances and began facility upgrades in order to meet the increasing demand for fly ash. ■

ATCO POWER FACILITIES - AT A GLANCE



# ATCO POWER FACILITIES — IN DEPTH

	LOCATION	COMMISSIONING DATE	PLANT GENERATING CAPACITY (MEGAWATTS)	FUEL TYPE	CU OWNERSHIP (%)
	<b>IN ALBERTA:</b>				
1	Battle River 3, 4, 5, Generating Station, Forestburg	1969 1975 1981	670	Coal	100%*
2	Sturgeon Generating Plant, Valleyview	1957	18	Natural gas	100%*
3	Rainbow Lake 1, 2, 3, Northern Alberta	1968	88	Natural gas	100%*
4	Sheerness 1, 2, Generating Station, Hanna	1986 1990	760	Coal	50% *
5	Poplar Hill Generating Plant, Grande Prairie	1998	45	Natural gas	80%
6	Primrose Cogeneration Plant, Northern Alberta	1998	85	Natural gas	40%
7	Rainbow Lake 4, 5, Northern Alberta	1999 2001	90	Natural gas	40%
8	Joffre Plant, Central Alberta	2000	480	Natural gas	32%
9	Valleyview Generating Station	2001	45	Natural gas	80%
10	Muskeg River Cogeneration Plant, Athabasca Oil Sands	2003	170	Natural gas	56%
11	Scotford Cogeneration Plant, Scotford	2003	170	Natural gas	80%
12	Oldman River Hydro Project Pincher Creek	2003	32	Run-of-river hydroelectric	60%
	<b>IN BRITISH COLUMBIA:</b>				
13	McMahon Cogeneration Plant, Taylor	1993	120	Natural gas	50%
	<b>IN SASKATCHEWAN:</b>				
14	Cory Cogeneration Plant, Saskatoon	2003	260	Natural gas	40%
	<b>IN ONTARIO:</b>				
15	Brighton Beach Generation Station, Windsor	2004	580	Natural gas	40%
	<b>IN AUSTRALIA:</b>				
16	Osborne Cogeneration Station, Adelaide, South Australia	1998	180	Natural gas	50%
17	Bulwer Island Cogeneration Station, Brisbane, Queensland	2001	33	Natural gas	50%
	<b>IN UNITED KINGDOM:</b>				
18	Barking Power Station, East London	1995	1,000	Natural gas	25.5%
19	Heathrow Airport, London	1990	14	Natural gas	50%

\* CU ownership held by Alberta Power (2000) Ltd.

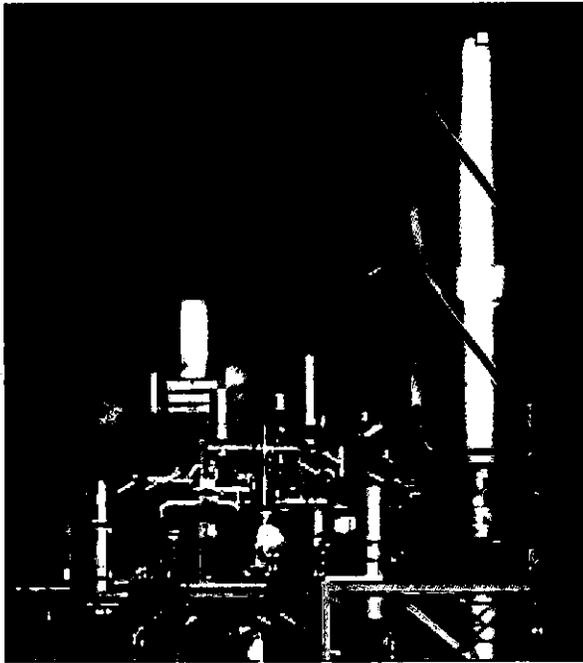
# THRIVING DOWN UNDER

## ATCO POWER BENEFITS FROM INNOVATION IN AUSTRALIA

Over the past 10 years, ATCO Power has partnered in innovative, environmentally progressive power plants near Adelaide and in Queensland, Australia, an adroit business decision for Canadian Utilities Limited and its shareowners.

The 180-MW Osborne Cogeneration Plant, a joint venture between ATCO Power and Origin Energy of Australia and commissioned in December 1998, consists of a 120-MW gas turbine and a 60-MW steam turbine, fuelled by natural gas from South Australia's Cooper Basin. A second project, the Bulwer Island Cogeneration Plant, serves the electric and thermal energy needs related to the expansion of BP's Bulwer Island refinery in Queensland.

The Osborne Plant is Canadian Utilities' principal investment in Australia and exemplifies the environmental benefits of advanced technology.



*Osborne Cogeneration Plant Adelaide, South Australia*

It is 50 per cent more efficient than a conventional gas or coal-fired power station, reducing nitrous oxide emissions by at least 80 per cent and carbon dioxide emissions by 35-50 per cent.

"As a cogeneration plant, thermal efficiency is much higher and emissions are significantly lower than the traditional power plants that preceded Osborne, plus we spent \$1 million installing upgrades into our gas turbine in September 2007 that further improved efficiencies and lowered emissions by 1.5 per cent," explains Geoff Walshe, Executive Director, ATCO Power Australia. "Osborne also concluded a water capture and reuse project that saw our town water use drop to less than five per cent of normal. This is particularly significant in Australia where severe water restrictions have been in place due to many years of continuous drought."

Osborne had a strong year due to higher than average availability of the plant.

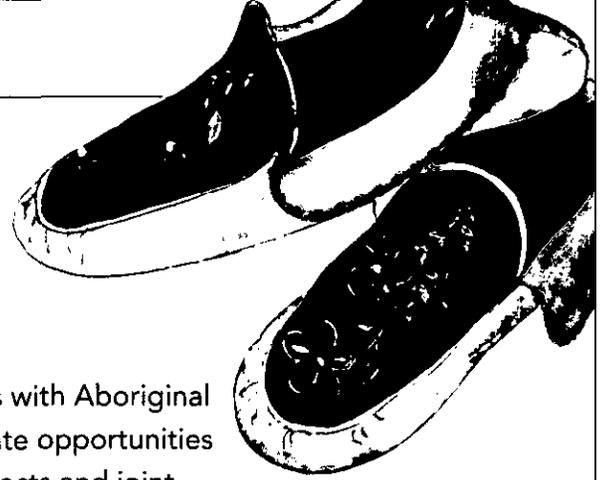
The Bulwer Island Plant, commissioned in 2001, has also gained recognition as part of the Queensland Clean Fuels Project that won the 2001 Australian Construction Achievement Award. Bulwer Island had a prosperous year due to a high pool price, well above the expected average for the year, and almost full-bonus availability.

ATCO Power has profited from a strong and committed staff who have excelled amid Australia's unique challenges.

"Our people are very committed and respond to emergencies without delay," Mr. Walshe says. "Their flexible approach at work allows tight deadlines to be met and outages minimized."

"Our remoteness is a challenge in both time and space to be connected to ATCO and major equipment manufacturers. Among our staff, we currently have three Australians working long-term in Canada who will enhance our experience and one who has worked in London, U.K.," added Mr. Walshe.

# ABORIGINAL RELATIONSHIPS



The Company works to build mutually beneficial relationships with Aboriginal communities by developing strategies that provide appropriate opportunities to improve employment and business relations through contracts and joint ventures. Through dialogue, working and living in the same community and encouraging openness in order to earn respect and trust, the following alliances have been formed:

## First Nations

- ATCO Frontec and the Fort McKay First Nation partner to build and operate a 500-room Creeburn Lake Lodge in the Oil Sands region north of Fort McMurray, Alberta.
- ATCO Electric interfaces in northeastern Alberta with Fort McKay Chipewyan, Athabasca Chipewyan, Mikisew Cree, Fort McMurray and Chipewyan Prairie First Nations on land use and business opportunities.
- Mikisew Cree and Athabasca Chipewyan First Nations work with ATCO Electric at the power plant upgrade at Fort Chipewyan, Alberta.
- ATCO Electric is working in northwestern Alberta with nine First Nations communities on right-of-way clearing along the transmission route between Wabasca area and the Peace River region for the new 240-kV transmission line.
- ATCO Power and the Piikani Nation of Brockett, Alberta partner in the ownership of the Oldman River Hydro project near Pincher Creek.

## Inuit

- UQSUQ Corporation, a joint venture between ATCO Frontec and Inuit-owned companies in the Arctic, leases and operates the bulk fuel storage facility, the pipeline distribution system and the municipal fuel distribution system in Iqaluit, Nunavut.
- ARCTEC Alaska, a joint venture between ATCO Frontec and Arctic Slope World Services, manages and maintains the Alaska Radar System.

- Torngait Services Inc., a joint venture between Labrador Inuit Development Corporation and ATCO Frontec, provides site services at the Voisey's Bay mine and concentrator operation in Labrador.
- Operating as Nasittuq, ATCO Frontec and Pan Arctic Inuit Logistics operate and maintain 47 North American Aerospace Defence Command (NORAD) radar sites known as the North Warning System located across the Canadian Arctic.
- ATCO Frontec's partnership with Inuit from Labrador, Nunavik, Nunavut and the Inuvialuit settlement regions features a development/apprenticeship training program to enhance skills and formal credentials.

## Inuit and First Nations

- ATCO Frontec Services Limited and NASCO (Inuvialuit Development Corp, Nunasi Corp., Denendeh Development Corp., and Yukon Indian Development Corp.) have an agreement for the operation and maintenance of facilities, towers and power generating systems at 157 Northwestel microwave sites in the Northwest Territories, Yukon and northern British Columbia.

## Aboriginal People

- ATCO Pipelines offers opportunities for Aseniwuche Winewak Nation in a pipeline replacement project at Grande Cache, Alberta.

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*A number of original paintings featuring traditional Inuit clothing appeared in a 2007 Northern Canada print advertising campaign and are also being featured in signage and on other applications for the 2008 Arctic Winter Games in Yellowknife.*

# FOUNDATION FOR THE FUTURE

PARTNERSHIPS WITH FORT MCKAY AND PIIKANI FIRST NATIONS FORMED IN 2007

**ATCO Frontec**, a company with two decades of experience building successful aboriginal opportunities from the Arctic to Labrador, formed a new partnership with the Fort McKay First Nation to build and operate the Creeburn Lake Lodge – a much needed 500-room complex now under construction in the booming Oil Sands region approximately 65 kilometres north of Fort McMurray.

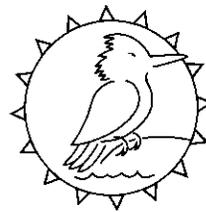
In the spring of 2008, Phase One of the Lodge is set to open, offering new accommodation for Oil Sands workers and an array of career opportunities for members of the Fort McKay First Nation – Cree and Dene people – who have lived along the Athabasca River for generations.

“The signing of this joint venture agreement with the Fort McKay First Nation builds on ATCO Frontec’s long and unique history of working with Aboriginal communities to create mutually beneficial relationships and projects,” said Harry Wilmot, President, ATCO Frontec. “This housing project in the Fort McMurray region brings together the skills and resources of both organizations.”

Chief Jim Boucher of the Fort McKay First Nation added: “Creeburn Lake Lodge is yet another example of our continuing efforts to foster new economic partnerships that will provide long-term opportunities

and benefits to our people. This partnership complements many of the services that we currently provide through the Fort McKay Group of Companies and our other joint partnerships.”

To speed construction, the Lodge is being primarily assembled using top-quality, state-of-the-art modules built by ATCO Structures. Its design allows for future expansion to 1,000 rooms, every one featuring a 26-inch LCD TV/DVD system, high-speed internet, and individual environment controls.



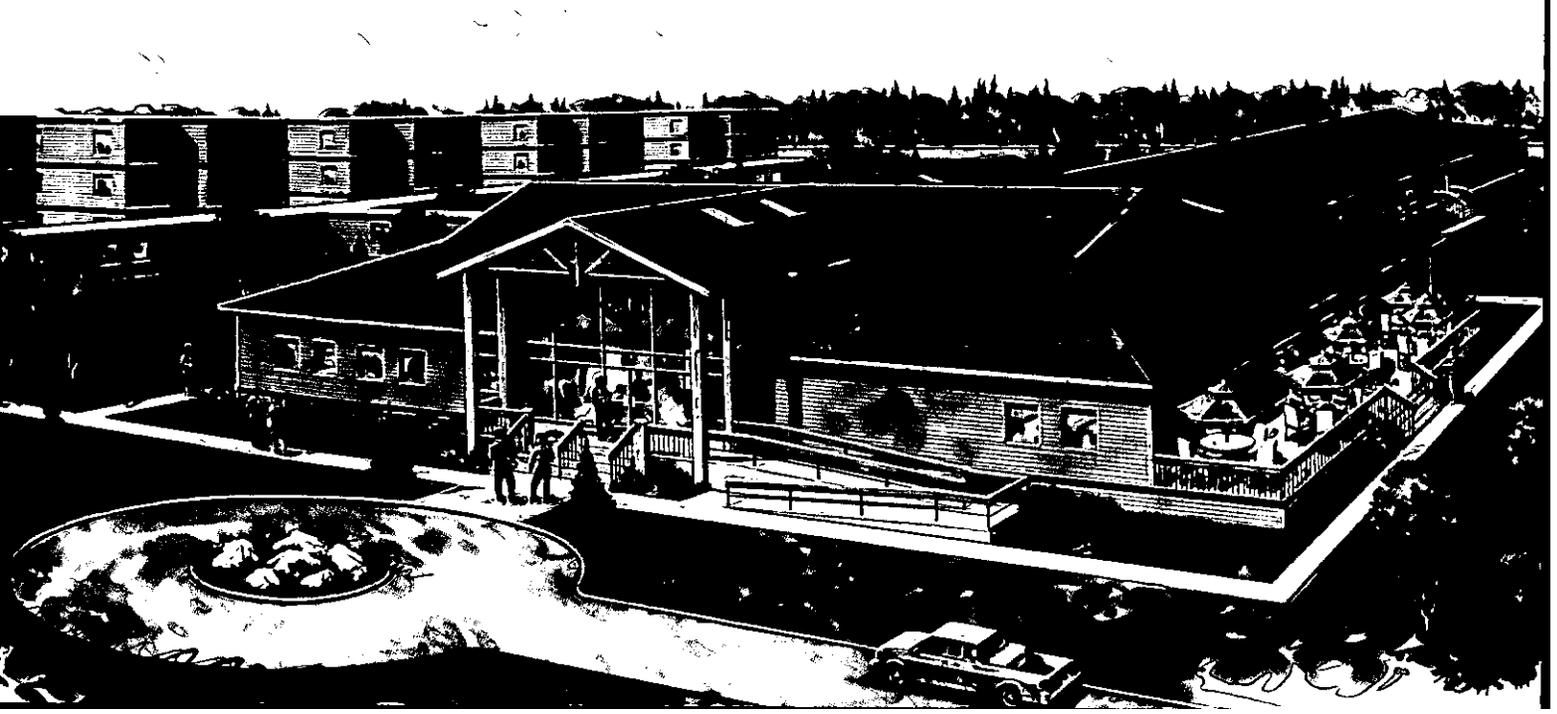
*Creeburn Lake Lodge*

*The Kingfisher is indigenous to the Fort McKay region and is showcased in the logo designed for the Lodge.*



**ATCO Power** created its first-ever joint venture with a First Nation – the Piikani Nation at Brockett, Alberta – to own and operate the emissions-free 32-MW Oldman River Hydro facility in southern Alberta. The Piikani exercised a longstanding option to purchase a 25 per cent interest in the four-year-old, clean power generating facility on the Oldman River Dam. ■

*Artist's rendering of the 130,000 square foot Creeburn Lake Lodge.*



# GLOBAL ENTERPRISES

“The key driver for Global Enterprises’ continued success is the incredible **effort** and **dedication** that’s shown by all the people in the division.”

*Michael Shaw, Managing Director, Global Enterprises*

*With 29 years of service, Michael Shaw leads Global Enterprises as its Managing Director, appointed to the role in 2004.*



## **ATCO Midstream**

- Provides natural gas gathering, storage and natural gas liquids solutions to the Canadian natural gas sector
- Approximately 170 employees
- Owns or has interests in 11 natural gas gathering and processing facilities and four natural gas extraction facilities, combined for a processing capacity of more than 1.5 billion cubic feet per day

## **ATCO I-Tek**

- Delivers exceptional billing flexibility, superior customer care, and reliable information technology solutions to a diverse group of clients worldwide
- Approximately 1,000 employees
- Answers more than 1.6 million customer calls each year

## **ATCO Frontec**

- A Canadian-based leader known for its excellence in rapid mobilization and provision of services in austere and challenging environments worldwide
- Approximately 1,600 employees
- Operating in more than 20 locations around the world

## **ATCO Travel**

- Provides clients with superior quality and personalized service in corporate travel management and vacation services
- Approximately 100 employees
- Offices in Calgary, Edmonton, Fort McMurray and Ottawa

## NEW PROJECTS AND DIVERSITY SHOWCASED AS IMPRESSIVE EARNINGS GROWTH CONTINUES

### **ATCO Midstream**

ATCO Midstream achieved record earnings in 2007. A combination of strong volume throughput, high plant availability, high liquids prices and storage spreads resulted in a seventh consecutive year of earnings growth.

In December, ATCO Midstream concluded the purchase of a 50 per cent interest in the Grimes Energy Joint Venture gas plant near the town of Kisbey, Saskatchewan as the company continued expansion into that province. Partnering in the purchase of the plant with Bayhurst Energy Services Corporation, a subsidiary of SaskEnergy Incorporated, the plant is licensed to process 2.5 million cubic feet of sour gas daily and includes approximately 22 kilometres of pipeline servicing regional producers.

The Gas Gathering and Processing business unit maintained a high priority on the safe and efficient

operation of its processing facilities with an overall on-line availability of more than 99 per cent. A strong marketing focus in southeast Saskatchewan secured additional gas processing volumes and further expansion of the gathering system, including entry into Manitoba.

The Natural Gas Liquids business unit realized record performance in extraction margins over the year. A significant process improvement at the Edmonton Ethane Extraction Plant increased plant throughput and improved ethane recoveries, also contributing to stronger financial performance. Planned maintenance, including a large turnaround at the Empress Gas Liquids Joint Venture, was completed during the year.

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*Chad O'Hagan is a plant supervisor at ATCO Midstream's Watelet Gas Gathering & Processing Plant in central Alberta.*





*ATCO I-Tek's consistently high customer satisfaction ratings are a testament to the knowledge, dedication and skill of its team of approximately 1,000 people – people like Ella Kulyk, Operations Supervisor, who provide behind-the-scenes support to the company's call centre operations.*

## **ATCO I-Tek**

For the second consecutive year ATCO I-Tek provided ATCO Gas and ATCO Electric customers with the best customer service in North America, as rated by customers in a survey by independent research and measurement company Service Quality Measurement (SQM) Group Inc.

SQM evaluates more than 300 call centres across North America each year and ATCO I-Tek's survey results are assessed against those of others in the energy sector. Not only did ATCO I-Tek earn SQM's "Highest Customer Satisfaction" award, but the distribution call centre also received a Merit Award for a greater-than-eight per cent improvement in First Call Resolution.

"We answer more than 1.6 million customer calls each year on behalf of our utility clients and these awards have again exemplified our commitment to provide exceptional customer service," said ATCO I-Tek President Bobbi Lambright.

In addition to customer care and billing, ATCO I-Tek delivers information technology services to a diverse group of clients that operate around the world. The Customer Support Centre achieved an overall satisfaction rate of 98.6 per cent for problem resolution on client surveys in 2007.

In 2007, ATCO I-Tek implemented two business-critical solutions for ATCO Pipelines: the Measurement and Reporting System and the System for Transportation and Account Reporting. With approximately 1,800 meter locations and more than 250 gas producers, industrial customers and natural gas distribution companies using the system, accurate measurement, reporting and invoicing is vital.

ATCO I-Tek also worked with ATCO Gas to continue replacing its legacy Computer Aided Dispatch system with a progressive, innovative work management solution.

## **ATCO Travel**

ATCO Travel continued its leadership as a full-service travel management company serving corporate clients, the general public and the ATCO Group of Companies. It retained all major accounts in 2007.

## **ATCO Frontec**

In 2007, ATCO Frontec pursued new projects in two key areas – site support and camp services, while refining its operational strategy. This resulted in two new major projects – Kandahar Airfield in Afghanistan and construction of the Creeburn Lake Lodge.

### **CANADIAN ACTIVITIES**

In October, ATCO Frontec and the Fort McKay First Nation announced a new 50-50 joint venture partnership to build and operate a 500-room lodge in the Alberta Oil Sands region north of Fort McMurray. (See story on page 26).

In the Northern Operations group, UQSUQ Corporation successfully re-bid a five-year contract with the Nunavut Petroleum Corporation to lease and operate the bulk fuel storage facility, the pipeline distribution system and the municipal fuel distribution system in Iqaluit. UQSUQ is jointly owned by ATCO

Frontec and Nunavut Petroleum, which represents Nunasi Corporation and Qikiqtaaluk Corporation.

The NorthwesTel project in Whitehorse, Yukon renewed its joint venture agreement with the Northern Aboriginal Services Company and its contract to provide operation and maintenance at 157 NorthwesTel microwave sites in the Northwest Territories, northern British Columbia and the Yukon for another 10 years.

ATCO Frontec's Area Support Unit in Ontario successfully re-bid its contract for another three years, effective April 1, 2008, to provide facilities and maintenance to a number of armouries and other military properties in southern Ontario.

In late 2007, ATCO Frontec completed the sale of its Security Services division to Vancouver-based Paladin Security as part of its on-going effort to focus on key areas of growth.

### INTERNATIONAL ACTIVITIES

ATCO Frontec was awarded five NATO support contracts at the Kandahar Airfield in Afghanistan for up to five years. (See feature story on page 31).

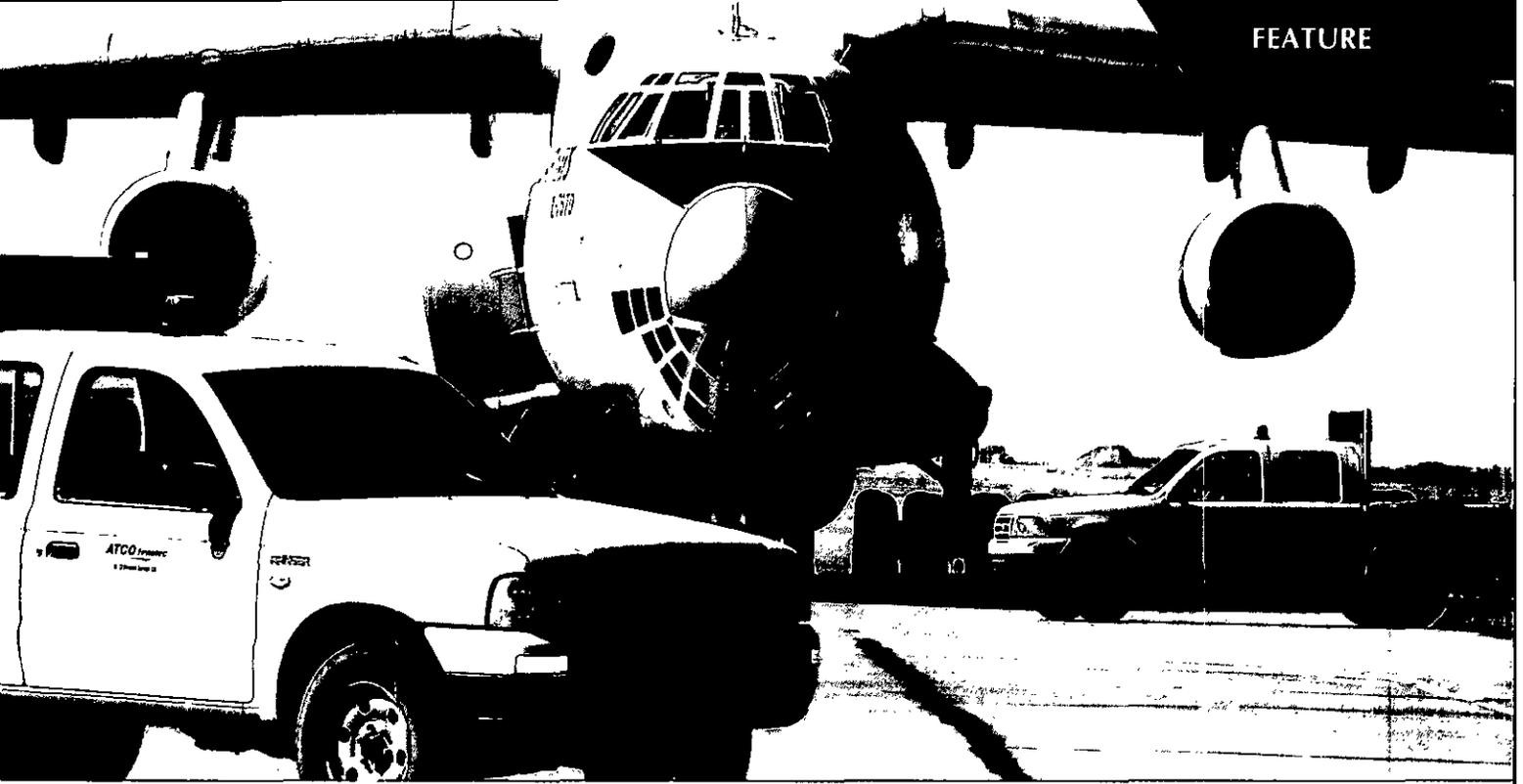
After completing the first year of a contract to provide camp support and food services for the United Nations Mission in Kosovo, ATCO Frontec exceeded expectations and was awarded a new contract to provide catering and camp services to four camps in Kosovo.

ATCO Frontec's European office in Csomád, Hungary is now included in the company's ISO 9001:2000-registered Quality Management System. ISO registration has enhanced the ability to manage existing contracts and respond to opportunities. ■

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*ATCO Frontec operates and maintains facilities, power generating systems and towers, like this one shown on the Dempster Highway in the Yukon.*





# PURVEYOR OF INTERNATIONAL SUPPORT

ATCO FRONTEC BOLSTERS MILITARY OPERATIONS WORLDWIDE

ATCO FRONTEC CONTINUES TO BOLSTER ITS EXPERIENCE IN THE PROVISION OF SUPPORT TO MILITARY OPERATIONS WORLDWIDE. WITH CURRENT ASSIGNMENTS IN AFGHANISTAN, KOSOVO AND BOSNIA, AND PRIOR COMMITMENTS THROUGHOUT THE BALKANS, AS WELL AS IN CAPE VERDE, AFRICA AND PAKISTAN, THE COMPANY'S EXPERTISE HAS GROWN EXPONENTIALLY SINCE ITS FIRST FORAY INTO SUPPORTING DEPLOYED MILITARY OPERATIONS WITH THE CANADIAN FORCES IN BOSNIA MORE THAN SEVEN YEARS AGO.

Various organizations, including NATO, the United Nations, the Canadian Forces and the Swedish Armed Forces, have selected ATCO Frontec to provide support services to base operations, large-scale training exercises, and disaster relief projects in remote and challenging locations around the world.

"ATCO Frontec has built relationships with multinational organizations with deployed operations all over the world through proven performance and demonstrated excellence," said Harry Wilmot, President, ATCO Frontec. "The company will continue to pursue new business in this sector and our growing customer base proves our capabilities."

---

*Above: At the Kandahar Airfield, ATCO Frontec provides combined air terminal operations and aircraft cross servicing for all military and civilian aircraft that land at the airfield.*



In 2000, the company was the first non-governmental organization awarded a contract from the Canadian Department of National Defence to provide support services to Canada's military – a long-term peacekeeping operation in Bosnia-Herzegovina. This unique project included management of Canadian civilians, local residents and embedded military personnel.

In May 2006, ATCO Frontec was contracted to provide a wide range of site support services to a six-week NATO training mission in the Republic of Cape Verde, Africa. There were 15 NATO countries represented on this exercise and ATCO Frontec provided support services to all of them. The company was also successful in winning its first contract in Kosovo providing catering and camp services to four United Nations Special Police Unit locations throughout the province. In the fourth quarter of 2006 ATCO Frontec was also successful in winning a contract at Camp Victoria, near Pristina, Kosovo, providing facilities maintenance and custodial services to the Swedish Armed Forces.

Elsewhere, at six NATO Stabilization and European Union Force sites located in Bosnia-Herzegovina and Croatia, ATCO Frontec is providing advanced information systems technology operation and maintenance support. This was a three-year contract

*Above Left: As part of ATCO Frontec's large-scale mobilization for the Kandahar Airfield deployment, this firetruck is being loaded into an aircraft carrier bound for Kandahar, Afghanistan from Calgary.*

*Above Right: Supplies and other assets are being loaded from the tarmac at Kandahar Airfield as part of ATCO Frontec's NATO support services.*

## ATCO FRONTec MILITARY OPERATIONS WORLDWIDE



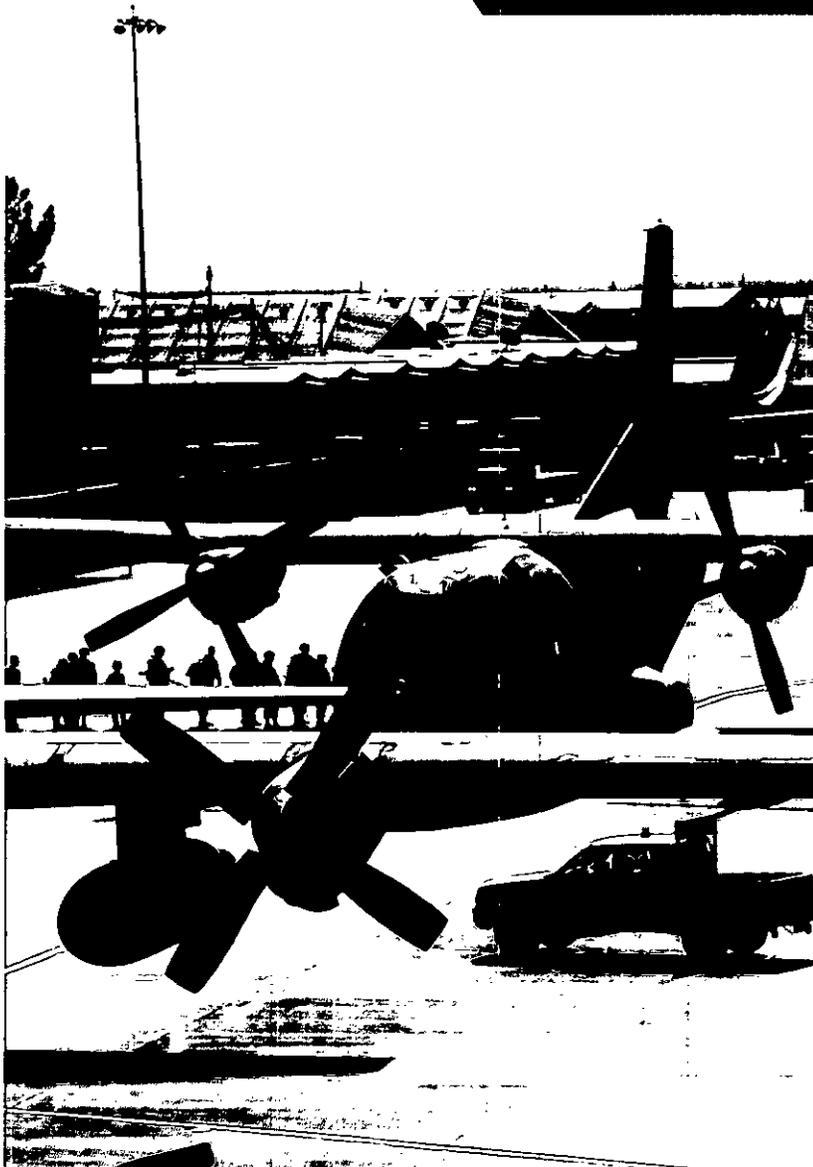
awarded to ATCO Frontec in November 2003 by the NATO Communications, Command and Control Agency, and ATCO Frontec has earned the award of each of the two option years to this contract extending services to December 2008.

And in Afghanistan, ATCO Frontec is providing support services including Communications and Information Systems services to the airfield, facilities operation and maintenance to all buildings at the NATO Airport, maintenance of all the NATO-owned equipment and refuelling of aircraft and engineering support to the Kabul Airfield. There are NATO Forces from 26 different countries as part of the International Security Assistance Force (ISAF) stationed at the Kabul Afghanistan International Airport.

"ATCO Frontec had an absolutely fascinating year," said Michael Shaw, Managing Director, Global Enterprises. "We bid on five major projects for NATO at the Kandahar Afghanistan Airfield, where Canadians are playing an incredible role. With a lot of hard work we were successful in winning all of those contracts."

Mobilizing 350 people and \$38 million in assets and supplies to Kandahar was not an easy task. The project team was able to overcome some major obstacles in order to achieve the mission of providing the full range of services to the large airfield at Kandahar. Services provided by ATCO Frontec include: Crash Fire Rescue to the airfield and its surrounding infrastructure; Combined Air Terminal Operations and Aircraft Cross Servicing to all aircraft, military and civilian that land at the airfield; Logistic Support Services — supply, maintenance and transportation functions; Facilities Operation and Maintenance and Engineering services to the camp; and all utilities including waste water treatment, waste management, pest control and the provision and distribution of potable and non-potable water." Operating in that theatre is extremely difficult with a great deal of challenges," added Mr. Shaw.

The NATO contracts include the provision of multiple support services for up to five years at the Kandahar Airfield for more than 10,000 troops serving NATO's ISAF. ■



*Above: More than 350 ATCO personnel have been hired and deployed to the Kandahar Airfield in Afghanistan to provide a full range of services for more than 10,000 military personnel on site.*

*ATCO Frontec's Judy Reid has been at the Kandahar Airfield since September 2007, and provided the images for this feature. Judy is a Quality Assurance Auditor, who prior to this role, worked for ATCO in Bosnia for three years. "I feel like I'm making a real contribution by being here," said Judy. "My role is to help ensure that we are doing the work we said we would ... and that we're doing it well."*



# FINANCIAL EXCELLENCE 2007



Karen M. Watson

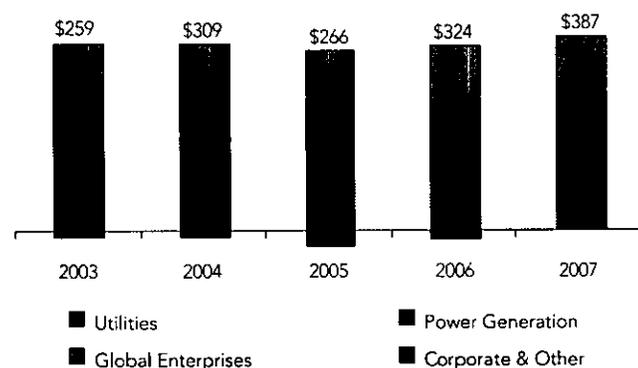
SENIOR VICE PRESIDENT  
& CHIEF FINANCIAL OFFICER

Canadian Utilities' record earnings in 2007 of \$386.7 million (\$3.08 per share) were attributable to all three of the Company's business groups — Utilities, Power Generation and Global Enterprises.

Canadian Utilities' 2007 revenues decreased primarily due to the refund of future income tax balances which also reduced the income tax expense in ATCO Electric. This decrease was partially offset by increased revenue in ATCO Gas and ATCO Midstream.

Canadian Utilities' adjusted earnings in 2007 were \$343.8 million (\$2.74 per share) compared to \$320.8 million (\$2.54 per share) in 2006.

Earnings Attributable to Class A & Class B Shares (\$ MM)



(1) Adjusted earnings are defined as earnings attributable to Class A and Class B shares after adjustment for items that are not in the normal course of business nor a result of day to day operations. The majority of these adjustments in 2007 related to tax issues. This measure is not defined by Generally Accepted Accounting Principles and may not be comparable to similar measures used by other companies.

(2) Cash is defined as cash and short-term investments less bank indebtedness.

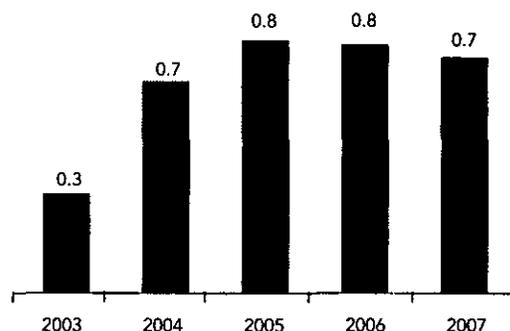
(3) Funds generated by operations is defined as cash generated from operations before changes in non-cash working capital. This measure is not defined by Generally Accepted Accounting Principles and may not be comparable to similar measures used by other companies.

CONSOLIDATED HIGHLIGHTS	2007	2006
(Millions of Canadian dollars, except as indicated)		
<b>INCOME STATEMENT</b>		
Revenues	2,404.9	2,430.4
Earnings		
Utilities	139.7	121.2
Power Generation	134.7	119.2
Global Enterprises	110.0	101.0
Corporate & Other & Eliminations	2.3	(17.5)
Earnings	386.7	323.9
Adjusted earnings <sup>(1)</sup>	343.8	320.8
<b>BALANCE SHEET</b>		
Cash <sup>(2)</sup>	747.2	798.8
Total Assets	7,285.4	6,993.5
Capitalization		
Long Term Debt	2,603.2	2,411.5
Non-recourse Long Term Debt	478.1	626.7
Equity Preferred Shares	625.0	636.5
Share Owners' Equity	2,521.7	2,324.7
Capitalization	6,228.0	5,999.4
<b>CASH FLOW STATEMENT</b>		
Funds Generated by Operations <sup>(3)</sup>	725.9	657.5
Capital Expenditures		
Utilities	588.9	505.0
Power Generation	49.2	48.1
Global Enterprises	62.7	14.2
Corporate & Other	-	0.4
Capital Expenditures	700.8	567.7
<b>RATIOS</b>		
Return on equity (%)	16.0	14.3
Earnings per share (\$)	3.08	2.57
Adjusted Earnings per share (\$) <sup>(1)</sup>	2.74	2.54
Dividends paid per share (\$)	1.25	1.40
Equity per share (\$)	20.13	18.54
Class A non-voting closing share price (\$)	46.40	47.73
Class B voting closing share price (\$)	46.00	47.66

Full disclosure of all financial information is available on the SEDAR website - [www.sedar.com](http://www.sedar.com).

Canadian Utilities' balance sheet remains strong and positions the company for future growth. Cash balances (as defined on previous page) of \$747.2 million have remained relatively consistent for the last four years.

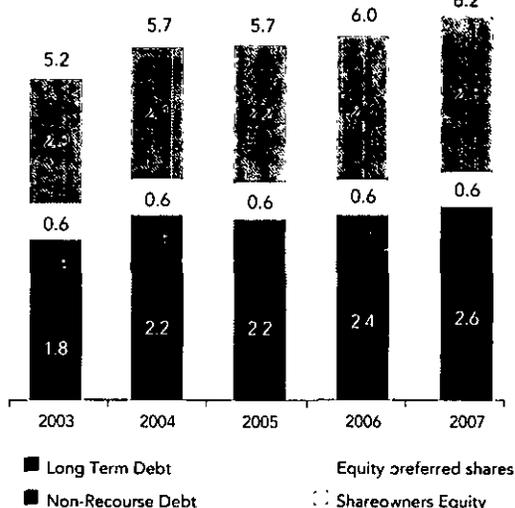
Cash (\$ Billions)



Canadian Utilities share owner's Equity at the end of 2007, including Equity Preferred Shares, was \$3.1 billion. The Company's non-recourse debt has also been reduced over the last four years. In addition to regular scheduled payments on non-recourse debt, ATCO Power also applied a \$52.7 million payment in 2007 towards the debt on the Barking Power Plant.

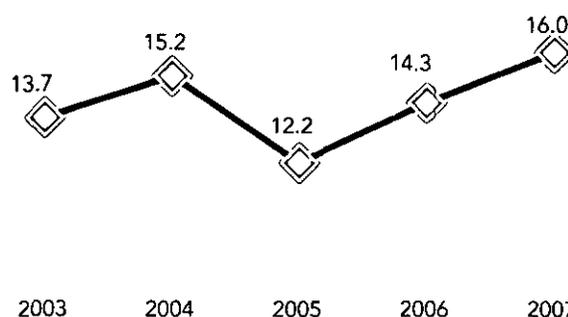
On October 18, 2007, Standard and Poor's increased its rating on Canadian Utilities' senior debt from 'A-' to 'A'.

Capitalization (\$ Billions)



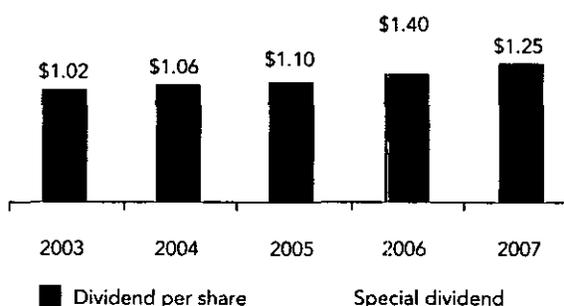
Return on equity for 2007 was 16.0% compared to 14.3% in 2006. This was achieved even though the regulated utilities are subject to a formula driven return on equity regime that resulted in a rate of 8.51% for 2007. Therefore, the overall Canadian Utilities' rate of 16.0% was driven by results of the non-regulated entities in the Company.

Return on Equity (%)

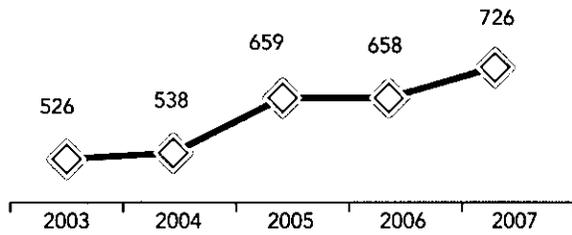


Dividends paid to common share owners were \$1.25 per share in 2007. This compares to a \$1.15 dividend per share in 2006, excluding the impact of the \$0.25 per share special dividend paid in 2006. Excluding the impact of the special dividend in 2006, dividends per share have increased each year since 1972 — 35 years.

Dividends per Share

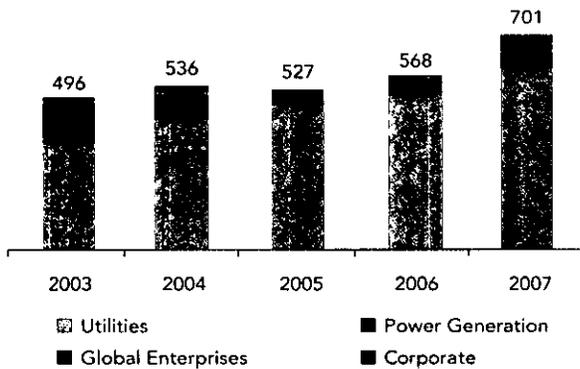


**Funds Generated by Operations (\$ Millions)**



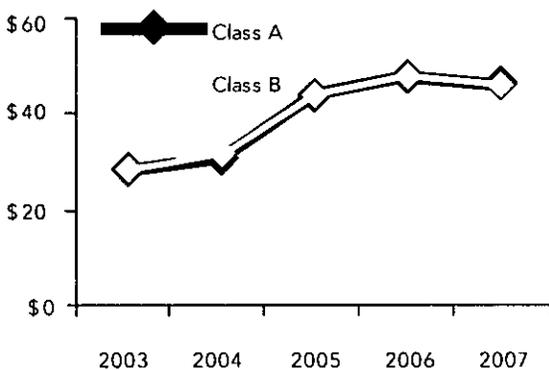
Funds generated by operations increased to \$725.9 million in 2007 compared to \$657.5 million in 2006. This increase was primarily attributable to higher earnings and increased availability incentives at Alberta Power (2000)'s power generating stations.

**Capital Expenditures (\$ Millions)**



The robust growth in the Alberta economy has resulted in significant growth in total capital expenditures for Canadian Utilities. This growth is primarily attributable to the Utilities Business Group. The total for 2007 was \$700.8 million compared to \$567.7 million in 2006. Furthermore, capital expenditures to maintain capacity, meet planned growth, and fund future development activities are expected to be approximately \$900 million in 2008. The majority of these expenditures are uncommitted and relate primarily to the Utility operations. Capital expenditures for 2008 to 2010 are expected to be approximately \$3.0 billion for the Utilities operations.

**Share Price**



The price of Canadian Utilities Class A and Class B shares, on the Toronto Stock Exchange, closed the year at levels consistent with the prices from the end of 2006. The closing prices for Class A and Class B shares at the end of 2007 were \$46.40 and \$46.00, respectively, compared to \$47.73 and \$47.66 at the end of 2006.

# MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management is responsible for the preparation of the consolidated financial statements, management's discussion and analysis of financial condition and results of operations and other financial information relating to the Corporation contained in this annual report. The consolidated financial statements have been prepared in conformity with Canadian Generally Accepted Accounting Principles using methods appropriate for the industries in which the Corporation operates and necessarily include some amounts that are based on informed judgments and best estimates of management. The financial information contained elsewhere in the annual report is consistent with that in the consolidated financial statements.

PricewaterhouseCoopers LLP, our independent auditors, are engaged to express a professional opinion on the consolidated financial statements.

Management has established internal accounting and financial reporting control systems, which are subject to periodic review by the Corporation's internal auditors, to meet its responsibility for reliable and accurate reporting. Integral to these control systems are a code of ethics and management policies that provide guidance and direction to employees, as well as a system of corporate governance that provides oversight to the Corporation's operating, reporting and risk management activities.

The Board of Directors, through its Audit Committee comprised entirely of outside Directors, oversees management's responsibilities for financial reporting. The Audit Committee meets regularly with management, the internal auditors and the independent auditors to discuss auditing and reporting on financial matters, to assure that management is carrying out its responsibilities and to review and approve the consolidated financial statements. The auditors have full and free access to the Audit Committee and management.



N.C. Southern

PRESIDENT & CHIEF EXECUTIVE OFFICER



K.M. Watson

SENIOR VICE PRESIDENT & CHIEF FINANCIAL OFFICER

February 19, 2008

Canadian Utilities Limited  
Consolidated Five-Year Operating Summary

(Millions of Canadian dollars, except as indicated)	2007	2006	2005	2004	2003
<b>Utilities</b>					
<b>Natural gas distribution operations</b>					
Purchase of property, plant and equipment	191.6	167.4	174.0	154.3	141.0
Pipelines (thousands of kilometres)	36.5	35.9	35.4	34.8	34.2
Maximum daily demand (terajoules)	1,819	1,861	1,919	2,049	1,831
Natural gas sold <sup>(1)</sup> (petajoules)	-	-	-	103	198
Natural gas distributed <sup>(1)</sup> (petajoules)	233	219	216	120	32
Total system throughput (petajoules)	233	219	216	223	230
Average annual use per residential customer (gigajoules)	127	126	131	134	134
Degree days - Edmonton <sup>(2)</sup>	3,992	3,819	3,641	3,985	4,245
- Calgary <sup>(3)</sup>	4,058	3,910	3,934	3,978	4,291
Customers at year-end (thousands)	1,001.8	969.9	939.6	914.3	887.8
<b>Electric distribution and transmission operations</b>					
Purchase of property, plant and equipment	311.8	238.1	212.2	223.4	171.6
Power lines (thousands of kilometres)	70.9	70.1	69.2	68.0	67.0
Electricity distributed (millions of kilowatt hours)	10,744	10,286	9,926	9,910	9,768
Average annual use per residential customer (kWh)	7,690	7,495	7,214	7,475	7,261
Customers at year-end (thousands)	223.0	216.3	210.9	206.2	202.3
<b>Natural gas transmission operations</b>					
Purchase of property, plant and equipment	87.1	97.7	84.3	47.9	33.6
Pipelines (thousands of kilometres)	8.4	8.4	8.3	8.3	8.3
Contract demand for pipelines system access (terajoules/day)	5,143	5,032	4,830	4,606	4,599
<b>Power Generation</b>					
Purchase of property, plant and equipment	49.2	48.1	41.2	77.0	131.7
Generating capacity operated (megawatts)	4,840	4,840	4,840	4,840	4,409
Generating capacity owned (megawatts)	2,467	2,474	2,474	2,474	2,247
Availability (%)	91.6	93.0	92.5	91.9	90.4
<b>Global Enterprises</b>					
Purchase of property, plant and equipment	62.7	14.2	11.9	14.5	15.5
Natural gas processed (Mmcf/day)	478	480	476	427	399
Natural gas gathering lines (kilometres)	1,000	1,000	1,000	1,000	1,000

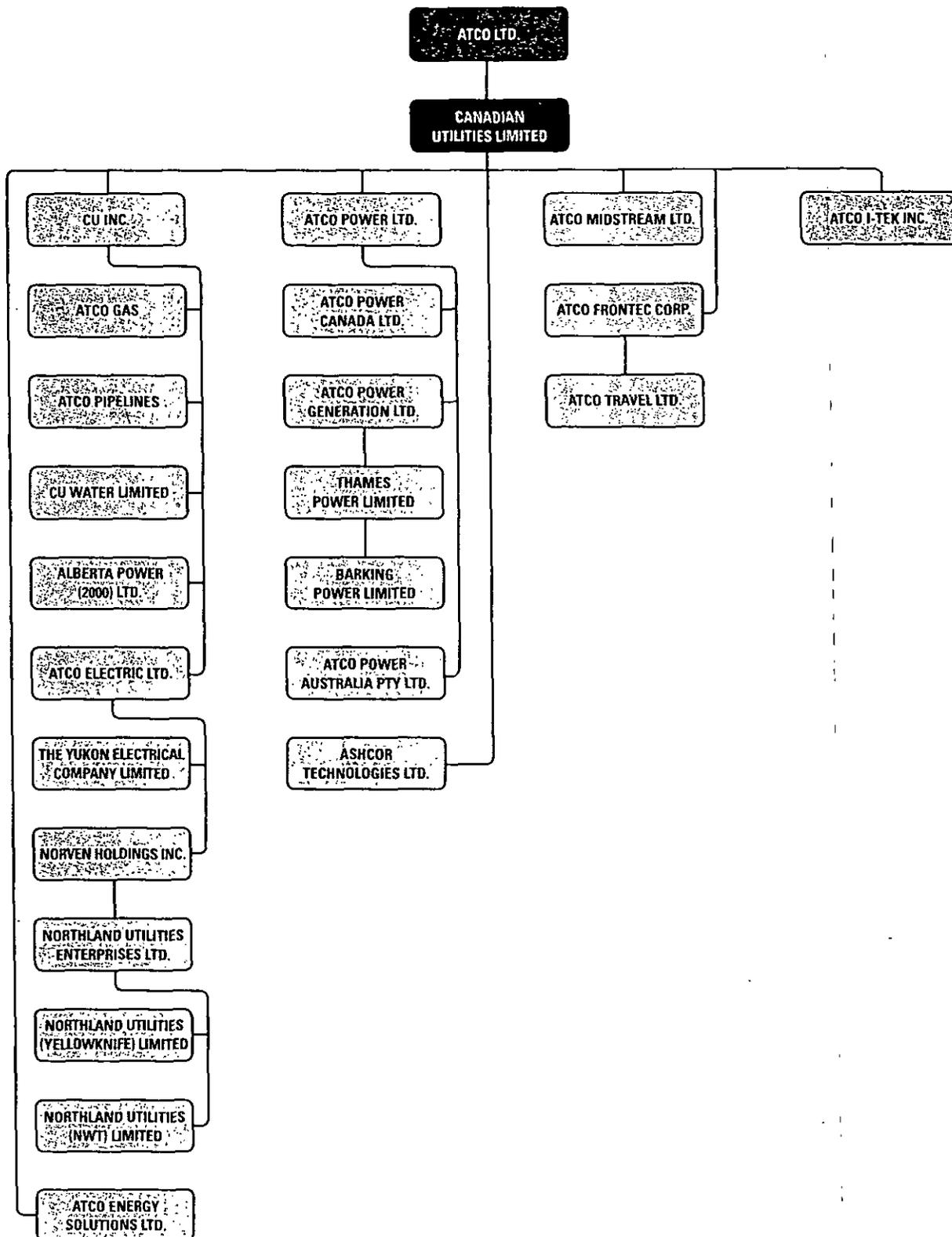
(1) Effective May 2004, with the transfer of the retail energy supply businesses, ATCO Gas' existing sales service customers became transmission service customers.

(2) Degree days - Edmonton - are defined as the difference of the mean daily temperature from 14.5 degrees Celsius.

(3) Degree days - Calgary - are defined as the difference of the mean daily temperature from 15.5 degrees Celsius.

# CANADIAN UTILITIES LIMITED

## ORGANIZATION CHART



Effective January 24, 2008, ATCO Utility Services Ltd. changed its name to ATCO Energy Solutions Ltd.

## DIRECTORS

**Robert T. Booth**  
Partner, Bennett Jones LLP

**William L. Britton, Q.C.**  
Vice Chairman of the Board  
Canadian Utilities Limited

**Loraine M. Charlton**  
Corporate Director

**Brian P. Drummond**  
Corporate Director

**Basil K. French**  
President, Karusel Management Ltd.

**Linda A. Heathcott**  
President & Chief Executive Officer  
Spruce Meadows

**Helmut M. Neldner**  
Corporate Director

**Michael R.P. Rayfield**  
Vice Chairman, Investment &  
Corporate Banking, BMO Capital  
Markets

**James W. Simpson**  
Lead Director

**Nancy C. Southern**  
President & Chief Executive Officer  
Canadian Utilities Limited

**Ronald D. Southern**  
C.B.E., C.C., LL.D.  
Chairman of the Board of Directors  
Canadian Utilities Limited

**Roger J. Urwin**  
C.B.E.  
Corporate Director

**Charles W. Wilson**  
Corporate Director

## OFFICERS

**Ronald D. Southern**  
Chairman of the Board

**William L. Britton**  
Vice Chairman of the Board

**Nancy C. Southern**  
President & Chief Executive Officer

**Siegfried W. Kiefer**  
Managing Director, Utilities  
& Chief Information Officer

**Michael M. Shaw**  
Managing Director, Global Enterprises

**Richard (Dick) H. Walthall**  
Managing Director, Power Generation

**Karen M. Watson**  
Senior Vice President &  
Chief Financial Officer

**Susan R. Werth**  
Senior Vice President &  
Chief Administration Officer

**D. Terrence Davis**  
Vice President,  
Internal Audit & Risk Management

**Owen G. Edmondson**  
Vice President,  
Business Development Finance

**Ian D. Hargrave**  
Vice President, Project Development

**Erhard M. Kiefer**  
Vice President, Human Resources

**Todd B. McLaren**  
Vice President, Special Projects

**Paul G. Wright**  
Vice President, Finance & Controller

**Charles S. McConnell**  
Treasurer

**Patricia (Pat) Spruin**  
Corporate Secretary

**Carol Gear**  
Assistant Corporate Secretary

## PRESIDENTS OF PRINCIPAL OPERATING SUBSIDIARIES

**Richard (Rick) J. Brouwer**  
President, ATCO Power Ltd.

**Kevin J. Cumming**  
President, ATCO Midstream Ltd.

**Jerome F. Engler**  
President, ATCO Gas

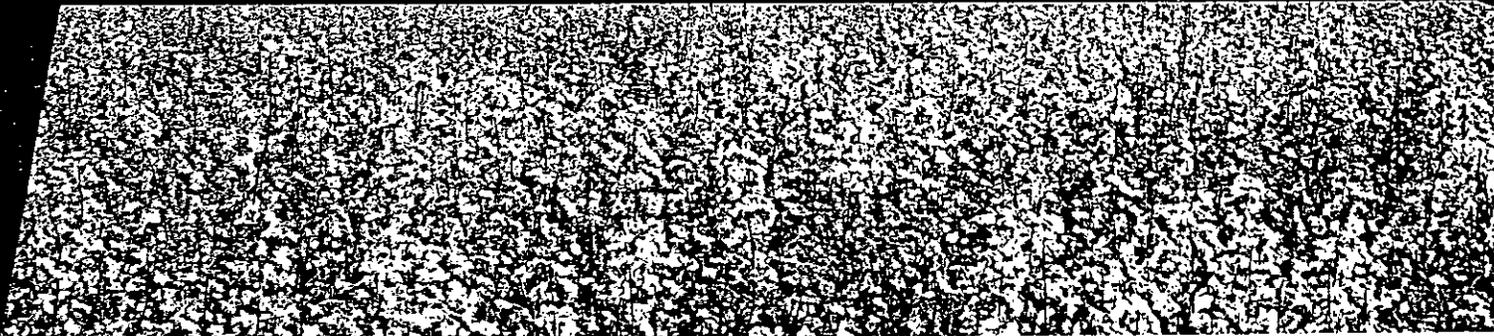
**Roberta (Bobbi) L. Lambright**  
President, ATCO I-Tek Inc.

**Robert (Bob) J. Myles**  
President, ATCO Pipelines

**Sett F. Policicchio**  
President, ATCO Electric Ltd.

**Joseph (Joe) J. Schnitzer**  
President, ASHCOR Technologies Ltd.

**Harry G. Wilmot**  
President, ATCO Frontec Corp.





**CANADIAN UTILITIES LIMITED**  
An **ATCO** Company

1400, 909-11th Avenue SW Calgary, Alberta T2R 1N6  
Telephone: (403) 292-7500 Fax: (403) 292-7623

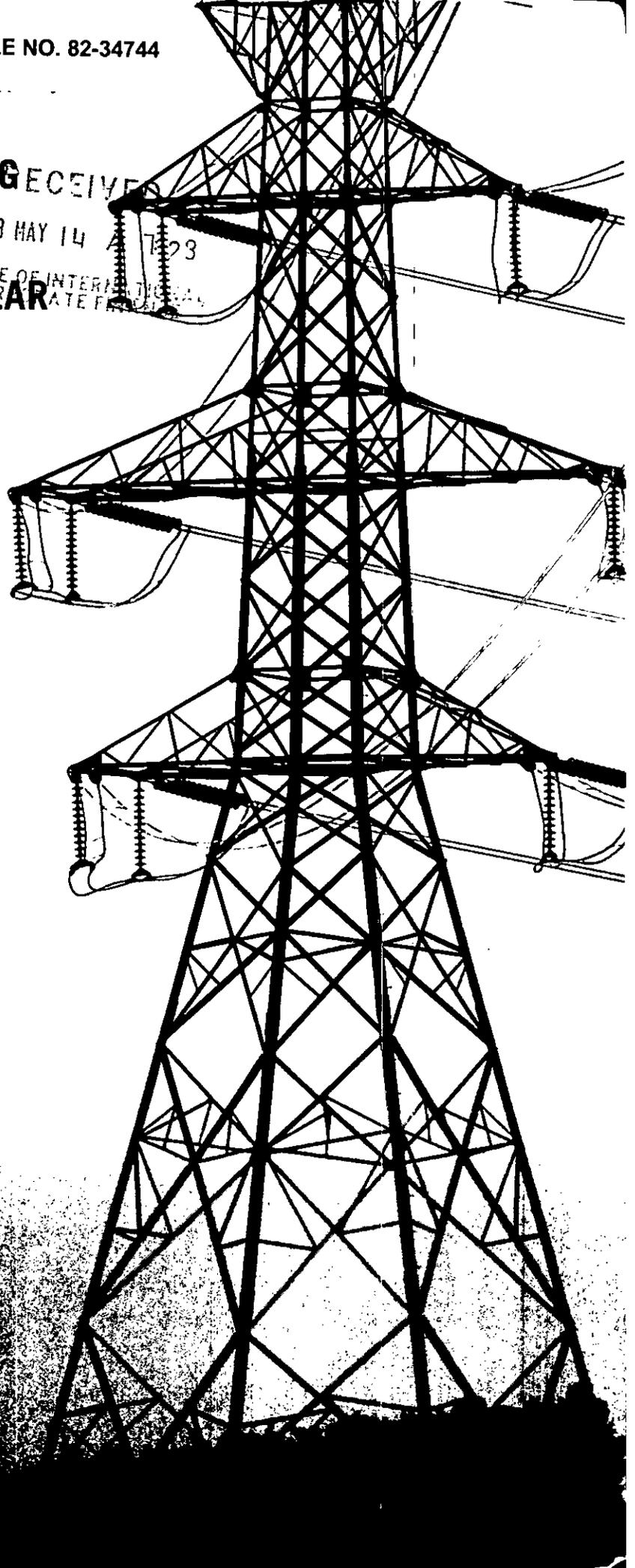
[www.canadian-utilities.com](http://www.canadian-utilities.com)

**NOTICE OF ANNUAL MEETING**  
**OF SHAREHOLDERS AND**  
**MANAGEMENT PROXY CIRCULAR**

**MAY 7, 2008**



**CANADIAN UTILITIES LIMITED**  
An **ATCO** Company



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**CANADIAN UTILITIES LIMITED**  
An **ATCO** Company

Dear Share Owner:

We are pleased to invite you to attend the annual meeting of share owners of Canadian Utilities Limited to be held in the Empire Ballroom, The Fairmont Hotel Macdonald, 10065 - 100th Street, Edmonton, Alberta, at 10:00 a.m. on Wednesday, May 7, 2008.

Your meeting materials are enclosed. If you are an owner of Class B common shares and are unable to attend the meeting, please complete and sign the proxy and return it in the envelope provided for that purpose. Alternatively, registered shareholders may submit a form of proxy by fax, telephone or via the internet. May we also encourage all owners of Class A non-voting shares to attend the meeting.

We hope you will join us after the meeting for some light refreshments.

Sincerely,

Handwritten signature of R.D. Southern in black ink.

R.D. Southern  
Chairman of the Board

Calgary, Alberta  
March 3, 2008

Handwritten signature of N.C. Southern in black ink.

N.C. Southern  
President & Chief Executive Officer

**SEC**  
Mail Processing  
Section

MAY 13 2008

Washington, DC  
101

# CANADIAN UTILITIES LIMITED

## NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

The annual meeting of shareholders of Canadian Utilities Limited will be held in the Empire Ballroom, The Fairmont Hotel Macdonald, 10065 - 100th Street, Edmonton, Alberta, at 10:00 a.m. on Wednesday, May 7, 2008, for the following purposes:

- (a) to receive the consolidated financial statements for the year ended December 31, 2007, accompanied by the report of the auditor;
- (b) to elect the directors;
- (c) to appoint the auditor;
- (d) to transact such other business as may properly come before the meeting or any adjournment thereof.

All holders of Class A non-voting shares or Class B common shares are entitled to attend the meeting, but only the holders of Class B common shares are entitled to vote at the meeting or to appoint proxyholders.

Holders of Class B common shares who are unable to attend the meeting in person are requested to complete and sign the accompanying form of proxy and return it in the prepaid envelope provided to CIBC Mellon Trust Company to be received by Canadian Utilities Limited, c/o CIBC Mellon Trust Company, not later than 5:00 p.m. Eastern Daylight Time on Monday, May 5, 2008.

Alternatively, registered shareholders may submit a form of proxy by fax, telephone or via the internet. Instructions are set out on the reverse of the form of proxy and are contained in the Management Proxy Circular.

By order of the Board of Directors.



P. Spruin  
Corporate Secretary

Calgary, Alberta  
March 3, 2008



**CANADIAN UTILITIES LIMITED**  
An **ATCO** Company

## **MANAGEMENT PROXY CIRCULAR**

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### **SECTION 1 VOTING INFORMATION**

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#### **Solicitation of Proxies**

This management proxy circular is furnished in connection with the solicitation by the management of CANADIAN UTILITIES LIMITED (the "Corporation") of proxies to be used at the annual meeting of shareholders of the Corporation, and at any adjournment thereof, for the purposes set forth in the accompanying notice. The cost of solicitation by management will be borne by the Corporation.

#### **Appointment of Proxyholders and Revocation of Proxies**

The persons named in the accompanying form of proxy are directors of the Corporation. **A shareholder entitled to vote at the meeting has the right to appoint a person or company to represent the shareholder at the meeting other than the persons designated in the accompanying form of proxy.** This right may be exercised either by striking out the names of the persons designated in the accompanying form of proxy and inserting in the space provided the name of the person appointed or by completing and executing another proper form of proxy. A shareholder desiring to be represented at the meeting by a proxyholder must deposit a proxy with the Corporation at the address set forth in the accompanying notice not later than 5:00 p.m. Eastern Daylight Time on Monday, May 5, 2008.

A shareholder may revoke a proxy by depositing an instrument in writing executed by the shareholder or by the shareholder's attorney authorized in writing with the Corporation, c/o CIBC Mellon Trust Company, Attention: Proxy Department, P.O. Box 721, Agincourt, Ontario, M1S 0A1, at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used, or with the chairman of the meeting on the day of the meeting or any adjournment thereof.

#### **Exercise of Discretion by Proxyholders**

All shares represented by a proxy will be voted or withheld from voting in accordance with the instructions of the shareholder on any ballot that may be called for, and if the shareholder specifies a choice with respect to any matter to be acted upon, the shares will be voted accordingly. **In the absence of such instructions, all of such shares will be voted in favour of the election of the directors and the appointment of the auditor.** The accompanying form of proxy confers discretionary authority upon the persons named therein with respect to amendments to matters identified in the notice of the meeting and other matters that may properly come before the meeting. The management of the Corporation is not aware of any such amendments or other matters. If any such amendments or matters should properly come before the meeting, the persons named in the accompanying form of proxy will vote on such matters in accordance with their best judgment.

## **Class B Common Shares and Principal Holders**

The Class B common shares of the Corporation are the only shares entitled to be voted at the meeting. As at March 3, 2008, there were 43,739,284 Class B common shares outstanding. Each Class B common share entitles the holder thereof to one vote at the meeting.

The record date for the meeting is March 18, 2008. Holders of Class B common shares whose names are entered in the applicable register at the close of business on that date will be entitled to receive notice of and to attend and vote at the meeting.

To the knowledge of the directors and officers of the Corporation, the only person who beneficially owns, controls or directs shares of the Corporation carrying 10% or more of the votes attached to any class of voting securities of the Corporation is ATCO Ltd. ATCO Ltd. directly or indirectly owns 32,665,452 Class B common shares, being approximately 74.7% of the outstanding Class B common shares. R.D. Southern controls ATCO Ltd.

## **Class A Non-Voting Shares**

The holders of the Class A non-voting shares of the Corporation are entitled to receive notice of the meeting and to attend and participate in discussions at the meeting, but are not entitled to vote at the meeting.

If a person other than a controlling shareholder makes a take-over bid to all the holders of Class B common shares for more than 50% of the Class B common shares, then the holders of Class A non-voting shares have the right, for the duration of the bid, to exchange their Class A non-voting shares for Class B common shares. However, if the take-over bid is not completed, then any person who exercised the right to exchange will be required to take back the certificates representing the Class A non-voting shares tendered by that person and the right to exchange shall be deemed never to have existed. In addition, the holders of Class A non-voting shares have the right to exchange their shares for Class B common shares if ATCO Ltd., the present controlling shareholder of the Corporation, ceases to own or control, directly or indirectly, more than 10,000,000 of the Class B common shares. In either case, each Class A non-voting share is exchangeable for one Class B common share, subject to changes in the exchange ratio for certain events such as a stock split or a rights offering.

## **Voting by Non-Registered Shareholders**

Voting shareholders who do not hold their shares in their own name ("non-registered shareholders") may have their shares voted at the meeting by providing voting instructions to their nominee, which is usually a trust company, broker or other financial institution. Nominees will typically seek voting instructions by sending with this circular a voting instruction form instead of a form of proxy. A voting instruction form can be used only to provide voting instructions to a non-registered shareholder's nominee. Every nominee has its own signing and return instructions, which non-registered shareholders must follow to ensure that their shares are voted at the meeting.

Alternatively, non-registered shareholders may attend the meeting and vote their shares as proxyholder by entering their own name in the space provided on the voting instruction form supplied by their nominee and following the signing and return instructions. Non-registered shareholders who follow this procedure will be recognized at the meeting as proxyholders and will be permitted to vote their shares in that capacity.

**For additional information please refer to Schedule C: Questions and Answers on Voting and Proxies at the back of this circular.**

## SECTION 2 BUSINESS OF THE MEETING

### FINANCIAL STATEMENTS

The consolidated financial statements of the Corporation for the year ended December 31, 2007, along with the auditor's report, will be placed before the meeting. Copies of the financial statements may be obtained from the Corporate Secretary upon request and will be available at the meeting. The statements are also available on the Corporation's website at [www.canadian-utilities.com](http://www.canadian-utilities.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

### ELECTION OF DIRECTORS

As recommended by the Corporate Governance – Nomination, Compensation and Succession Committee ("GOCOM"), the management of the Corporation is pleased to propose the nomination of the persons named below for election to the board of directors. The persons named in the accompanying form of proxy intend to vote in favour of the election of the nominees as directors. Each director elected intends to hold office until the next annual meeting of shareholders of the Corporation.

All of the nominees, with the exception of D.M. Ellard, R.J. Normand and R. Routs, are currently directors and have been for the periods indicated. If elected, each of the new nominees will be independent directors of the Corporation.

W.L. Britton, B.P. Drummond, B.K. French, and H.M. Neldner are currently directors of the Corporation and will be retiring from the Board on May 7, 2008, and accordingly are not standing for re-election.

Information regarding each of the nominees is provided in the following tables.

### Nominees for Election to the Board of Directors



**Robert T. Booth**

Age: 55  
 Calgary, AB Canada  
 Director Since: 1998  
 Not Independent<sup>(1)</sup>  
 Meets share ownership guidelines<sup>(2)</sup>

Mr. Booth is a partner in the law firm Bennett Jones LLP, based in Calgary, Alberta, and has an extensive background in energy and natural resource law. A member of the Law Society of Alberta and the Canadian Bar Association, Mr. Booth obtained a Bachelor of Engineering degree from the Royal Military College of Canada, Kingston, Ontario, and an LLB from Dalhousie University, Halifax, Nova Scotia. He has served as a director of the Canadian Petroleum Law Foundation and the Canadian Defense and Foreign Affairs Institute, and is a Past President of the Royal Military Colleges Club of Canada.

Board/Committee Membership:	Attendance:		Other Public Board/Committee Memberships:		
			Company	Term	Committees
Board of Directors	7 of 9	77%			
Strategy Conference <sup>(5)</sup>	1 of 1	100%			
Risk Review	2 of 2	100%	N/A	N/A	N/A
<b>Securities Held:</b> <sup>(3) (4)</sup>					
<b>Canadian Utilities Limited</b>			<b>ATCO Ltd.</b>		
Class A non-voting	4,229		Class I Non-Voting	0	
Class B common	0		Class II Voting	0	

**Nominees for Election to the Board of Directors (continued)**

 <p><b>Loraine M. Charlton, ICD.D</b> Age: 51 Calgary, AB Canada Director Since: 2006 Independent<sup>(1)</sup> See note<sup>(2)</sup> below on share ownership guidelines.</p>	<p>Ms. Charlton has most recently been Vice President, Chief Operating Officer of Investors' Petroleum Consultants Ltd., an oil and gas consulting and management company. She has been with Investors' Petroleum Consultants Ltd. since 1984, and continues with the company as a consultant. Ms. Charlton holds a B. Comm in Finance, has completed the Certified Financial Planner Program through The Canadian Institute of Financial Planning, and in 2007 obtained her certification from the Directors' Education Program at the Institute of Corporate Directors.</p>							
	<b>Board/Committee Membership:</b>		<b>Attendance:</b>		<b>Other Public Board/Committee Memberships:</b>			
	Board of Directors Strategy Conference <sup>(5)</sup> Audit		9 of 9 1 of 1 5 of 5	100% 100% 100%		Company	Term	Committees
					AKITA Drilling Ltd.	Since 2006	Audit	
	<b>Securities Held:</b> <sup>(3) (4)</sup>							
<b>Canadian Utilities Limited</b>				<b>ATCO Ltd.</b>				
Class A non-voting Class B common		2,327 100		Class I Non-Voting Class II Voting		100 0		

 <p><b>Denis M. Ellard</b> Age: 61 Calgary, AB Canada New Nominee<sup>(1)</sup></p>	<p>Mr. Ellard is a director of the ATCO Group Energy Services &amp; Technologies business group and a Designated Audit Director for ATCO I-Tek Inc. and ATCO Travel Ltd. He has a BSc in Mechanical Engineering and an MBA with a major in Finance from the University of Alberta. Prior to his retirement in 2003, Mr. Ellard was Senior Vice President Business Development, ATCO Group. He held several other senior positions within the organization including Senior Vice President, Northwestern Utilities Limited, Senior Vice President, Canadian Utilities Limited and President, ATCO Singlepoint Ltd. Mr. Ellard has served in various capacities on several community and industry boards including the Alberta Economic Development Authority, the Alberta Capital Region United Way, and the Edmonton Concert Hall Foundation.</p>						
	<b>Board/Committee Membership:</b>		<b>Attendance:</b>		<b>Other Public Board/Committee Memberships:</b>		
	N/A		N/A		N/A		
					Company	Term	Committees
					N/A	N/A	N/A
<b>Securities Held:</b> <sup>(3) (4)</sup>							
<b>Canadian Utilities Limited</b>				<b>ATCO Ltd.</b>			
Class A non-voting Class B common		0 0		Class I Non-Voting Class II Voting		0 0	

**Nominees for Election to the Board of Directors (continued)**



**Linda A. Heathcott**

Age: 45  
 Calgary, AB Canada  
 Director Since: 2000  
 Not Independent<sup>(1)</sup>  
 Meets share ownership guidelines<sup>(2)</sup>

Mrs. Heathcott is President & Chief Executive Officer of Spruce Meadows. A former professional equestrian rider, Mrs. Heathcott was a member of the Canadian Equestrian Team for nine years and competed in the 1996 Olympic Summer Games in Atlanta, Georgia. In 2006, Mrs. Heathcott was appointed Chairman of the Board, AKITA Drilling Ltd. Mrs. Heathcott also serves on the Board of Sentgraf Enterprises Ltd.

Board/Committee Membership:	Attendance:		Other Public Board/Committee Memberships:		
Board of Directors	8 of 9	89%	Company	Term	Committees
Strategy Conference <sup>(5)</sup>	1 of 1	100%	AKITA Drilling Ltd. (Chair)	Since 1992	Pension
Pension Fund	4 of 4	100%			

Securities Held: <sup>(3) (4)</sup>			
Canadian Utilities Limited		ATCO Ltd.	
Class A non-voting	5,533	Class I Non-Voting	8,900
Class B common	2,000	Class II Voting	4,200
		5.75% Series 3 Preferred	2,000



**Robert J. Normand**

Age: 61  
 Edmonton, AB  
 Canada  
 New Nominee<sup>(1)</sup>

Mr. Normand recently retired from the position of President and CEO of Alberta Treasury Branches (ATB). During his six years in this role, he led ATB to record profitability and market share growth. Prior to joining ATB as Executive Vice-President Sales in 1996, he was employed by the Bank of Montreal for 26 years and held line and credit executive positions in Quebec, Ontario and Alberta. Mr. Normand is Chairman of the Alberta Shock Trauma Air Rescue Service (STARS) Foundation, a director of Lockerbie & Hole Inc., the Edmonton Area Capital Health Authority and the Edmonton Telus Community Foundation. He is also a past Vice Chair of the Conference Board of Canada. Mr. Normand is a Fellow of the Institute of Canadian Bankers and holds a BA (Econ.) from Sir George Williams University and an MBA from Concordia University.

Board/Committee Membership:	Attendance:		Other Public Board/Committee Memberships:		
N/A	N/A	N/A	Company	Term	Committees
			Lockerbie & Hole Inc.	Since 2007	Audit and Governance

Securities Held: <sup>(3) (4)</sup>			
Canadian Utilities Limited		ATCO Ltd.	
Class A non-voting	0	Class I Non-Voting	0
Class B common	0	Class II Voting	0

**Nominees for Election to the Board of Directors (continued)**

 <p><b>Michael R.P. Rayfield</b> Age: 65 Toronto, ON Canada Director Since: 2004 Independent<sup>(1)</sup> See note <sup>(2)</sup> below on share ownership guidelines.</p>	<p>Mr. Rayfield joined the Bank of Montreal in 1982, in New York, as Senior Vice-President, with responsibility for the Bank's corporate banking business in the United States, Latin America, Australia and Japan. In 1986 he was appointed Executive Vice-President, and is currently Vice Chairman, Investment and Corporate Banking. Prior to joining the Bank, he held senior executive positions with Barclays Bank in London, Chicago and New York. Mr. Rayfield is a graduate of the Institute of Bankers, UK; the Senior Managers Program at Harvard University; Advanced Executive Program, J.L. Kellogg Graduate School of Management; Northwestern University and has studied at Cambridge University. Mr. Rayfield is on the Board of the Canadian International Council and the Board of Governors, Charter for Business, Duke of Edinburgh's Award Programme.</p>					
	<b>Board/Committee Membership:</b>		<b>Attendance:</b>		<b>Other Public Board/Committee Memberships:</b>	
	Board of Directors	9 of 9	100%	Company	Term	Committees
	Strategy Conference <sup>(5)</sup>	1 of 1	100%	N/A	N/A	N/A
	Pension Fund	4 of 4	100%			
	<b>Securities Held:</b> <sup>(3) (4)</sup>					
<b>Canadian Utilities Limited</b>			<b>ATCO Ltd.</b>			
Class A non-voting	3,122		Class I Non-Voting	0		
Class B common	0		Class II Voting	0		

 <p><b>Robert Routs</b> Age: 61 The Hague, Netherlands New Nominee<sup>(1)</sup></p>	<p>Mr. Routs is Executive Director Downstream (Oil Products &amp; Chemicals) and a member of the Board of Royal Dutch Shell plc. His other responsibilities are Oil Sands Mining &amp; Upgrading; Future Fuels &amp; CO<sub>2</sub>; Europe, Canada and Sub-Saharan Africa (excluding Nigeria). Mr. Routs graduated in Chemical Engineering from the Technical University of Eindhoven in The Netherlands, where he also obtained a PH.D. in Technical Sciences. Mr. Routs joined Shell in The Netherlands in 1971 and worked for Shell Canada from 1978 until 1999, finally as President Oil Products. He then led Shell Global Solutions – the Group's research and technical services group – before becoming CEO of the Equilon refining and marketing joint venture in the United States. Following the Group's acquisition of Texaco's interest, he became the CEO of Shell Oil Products US and President of Shell Oil Company in Houston. He became a Group Managing Director, joining the Committee of Managing Directors in 2003, and became Executive Director Downstream in October 2004. Mr. Routs was the Chairman of the meetings of the Shell Canada Board until mid 2007.</p>					
	<b>Board/Committee Membership:</b>		<b>Attendance:</b>		<b>Other Public Board/Committee Memberships:</b>	
	N/A	N/A	N/A	Company	Term	Committees
				Royal Dutch Shell plc	Since 2004	Executive Committee
	<b>Securities Held:</b> <sup>(3) (4)</sup>					
	<b>Canadian Utilities Limited</b>			<b>ATCO Ltd.</b>		
Class A non-voting	0		Class I Non-Voting	0		
Class B common	0		Class II Voting	0		

**Nominees for Election to the Board of Directors (continued)**

 <p><b>James W. Simpson</b> Age: 63 Danville, CA, USA Director Since: 2004 Independent<sup>(1)</sup> Meets share ownership guidelines<sup>(2)</sup></p>	<p>Mr. Simpson is Lead Director for the Board of Canadian Utilities Limited. Mr. Simpson, former President of Chevron Canada Resources, retired after a career with Chevron Texaco that spanned 30 years. Some of his key management assignments included General Manager Research Services at the laboratory in Los Angeles; General Manager of the Executive Staff in San Ramon, California; Managing Director of New Ventures in the international upstream company and Vice President of Middle East and North Africa in the Business Development group. He is former Chairman of the Canadian Association of Petroleum Producers and has been active in the United Way and the World Petroleum Congress.</p>						
	<b>Board/Committee Membership:</b>		<b>Attendance:</b>		<b>Other Public Board/Committee Memberships:</b>		
	Board of Directors	8 of 9	89%	Company	Term	Committees	
	Strategy Conference <sup>(5)</sup>	1 of 1	100%	Petro-Canada	Since 2004	Audit, Finance and Risk Management Resources and Compensation	
	Audit (Chair)	5 of 5	100%				
GOCOM <sup>(6)</sup>	3 of 4	75%					
Risk Review	2 of 2	100%					
<b>Securities Held:</b> <sup>(3)(4)</sup>							
<b>Canadian Utilities Limited</b>				<b>ATCO Ltd.</b>			
Class A non-voting	4,747		Class I Non-Voting	0			
Class B common	0		Class II Voting	0			

 <p><b>Nancy C. Southern</b> Age: 51 Calgary, AB Canada Director Since: 1990 Not Independent<sup>(1)</sup> Meets share ownership guidelines<sup>(2)</sup></p>	<p>Nancy Southern was appointed President &amp; Chief Executive Officer Canadian Utilities Limited and ATCO Ltd. on January 1, 2003. Previously, she was Co-Chairman &amp; Chief Executive Officer from 2000 until 2003, Deputy Chief Executive Officer from 1998 until 2000, and Deputy Chairman from 1996 until 1998. Ms. Southern has full responsibility for executing strategic direction and the ongoing operations of the Corporation, reporting to the Board of Directors. She is currently a director of ATCO Ltd. and serves on the Boards of all the ATCO Group subsidiary companies. She is also a director of the Bank of Montreal, AKITA Drilling Ltd., and Sentgraf Enterprises Ltd. Ms. Southern is a member of The Business Council, a U.S. based association of Chief Executive Officers representing a broad range of global businesses.</p>						
	<b>Board/Committee Membership:</b>		<b>Attendance:</b>		<b>Other Public Board/Committee Memberships:</b>		
	Board of Directors	9 of 9	100%	Company	Term	Committees	
	Strategy Conference <sup>(5)</sup>	1 of 1	100%	ATCO Ltd.	Since 1989	-	
				AKITA Drilling Ltd.	Since 1992	-	
			Bank of Montreal	Since 1996	Risk Review		
			CU Inc.	Since 1999	Pension Fund Society		
<b>Securities Held:</b> <sup>(3)(4)</sup>							
<b>Canadian Utilities Limited</b>				<b>ATCO Ltd.</b>			
Class A non-voting	1,850		Class I Non-Voting	67,529			
Class B common	2,500		Class II Voting	21,300			

**Nominees for Election to the Board of Directors (continued)**

 <p><b>Ronald D. Southern, C.B.E., C.C., LL.D.</b> Age: 77 Calgary, AB Canada Director Since: 1977 Not Independent<sup>(1)</sup> Meets share ownership guidelines<sup>(2)</sup></p>	<p>Ron Southern is Chairman of the Board of Canadian Utilities Limited and ATCO Ltd. Together with his late father, S.D. Southern, Mr. Southern founded ATCO Group in 1947 and served as ATCO's President for 48 years. He is credited with transforming the company to what it is today — a corporation with assets of \$7.3 billion and employing more than 6,500 people. Mr. Southern also serves as Chairman of Sentgraf Enterprises Ltd. and Deputy Chairman of AKITA Drilling Ltd. Some of Mr. Southern's many distinctions include: Commander of the Order of the British Empire, 1995; Officer of the Order of Orange-Nassau, 2006; Companion of the Order of Canada, 2007.</p>					
	<b>Board/Committee Membership:</b>	<b>Attendance:</b>		<b>Other Public Board/Committee Memberships:<sup>(8)</sup></b>		
	Board of Directors Strategy Conference <sup>(5)</sup>	9 of 9 1 of 1	100% 100%	Company	Term	Committees
				ATCO Ltd. (Chair) AKITA Drilling Ltd. (Deputy Chair) CU Inc. (Chair)	Since 1963 Since 1992 Since 1999	- - -
	<b>Securities Held:<sup>(3) (4) (7)</sup></b>					
<b>Canadian Utilities Limited</b>			<b>ATCO Ltd.</b>			
Class A non-voting Class B common Series W Second Preferred Series X Second Preferred	256,104 144,804 320,000 120,000		Class I Non-Voting Class II Voting	12,287,315 5,725,760		

 <p><b>Dr. Roger J. Urwin, C.B.E.</b> Age: 62 London, England Director Since: 2007 Independent<sup>(1)</sup> Meets share ownership guidelines<sup>(2)</sup></p>	<p>Dr. Urwin recently retired as Group Chief Executive of National Grid Group plc, an international gas and electric utility. He played a key role in establishing the company's international strategy and its successful expansion into the U.S. Dr. Urwin was Managing Director and Chief Executive of London Electricity from 1990 to 1995, and was a director and Chairman of Alfred McAlpine plc, a UK business support services company, from 2006 to 2008, until its recent acquisition by Carillion plc. He is also a non-executive director of Utilico Limited, and a Fellow of the Royal Academy of Engineering. In 2007, Dr. Urwin became a Commander of the Order of the British Empire.</p>					
	<b>Board/Committee Membership:</b>	<b>Attendance:<sup>(9)</sup></b>		<b>Other Public Board/Committee Memberships:</b>		
	Board of Directors Strategy Conference <sup>(5)</sup> Audit	4 of 5 1 of 1 3 of 3	80% 100% 100%	Company	Term	Committees
				Utilico Limited	Since 2007	Audit Remuneration
	<b>Securities Held:<sup>(3) (4)</sup></b>					
<b>Canadian Utilities Limited</b>			<b>ATCO Ltd.</b>			
Class A non-voting Class B common	8,565 0		Class I Non-Voting Class II Voting	0 0		

**Nominees for Election to the Board of Directors (continued)**

 <p><b>Charles W. Wilson</b> Age: 68 Evergreen, CO, USA Director Since: 2000 Independent<sup>(1)</sup> Meets share ownership guidelines<sup>(2)</sup></p>	<p>Mr. Wilson is a former President, Chief Executive Officer and director of Shell Canada Limited and a former President and director of Shell Investments Limited (Canada). Mr. Wilson graduated from the University of New Mexico with his MSc in Engineering and held several senior executive positions in refining and marketing, chemical, oil and gas production and corporate planning during his career at Shell.</p>						
	<b>Board/Committee Membership:</b>		<b>Attendance:</b>		<b>Other Public Board/Committee Memberships:</b>		
	Board of Directors	9 of 9	100%	Company	Term	Committees	
	Strategy Conference <sup>(5)</sup>	1 of 1	100%	ATCO Ltd.	Since 2002	Audit (Chair) GOCOM <sup>(6)</sup>	
	Audit	5 of 5	100%	AKITA Drilling Ltd.	Since 2002	Risk Review GOCOM <sup>(6)</sup>	
Risk Review	2 of 2	100%	Big Rock Brewery Income Trust	Since 1999	Corporate Governance		
			Talisman Energy Inc.	Since 2002	Audit Executive Reserves		
<b>Securities Held:</b> <sup>(3) (4)</sup>							
<b>Canadian Utilities Limited</b>			<b>ATCO Ltd.</b>				
Class A non-voting		10,942	Class I Non-Voting		8,869		
Class B common		0	Class II Voting		0		

- (1) "Independent" refers to the determination of whether a director is independent as that term is defined in Multilateral Instrument 52-110 *Audit Committees*. See Schedule A: Corporate Governance Disclosure, Section 1. If elected, Messrs. Ellard, Normand and Routs will be independent.
- (2) Within five years of being appointed to the Board of the Corporation, directors should directly or indirectly own shares of the Corporation having an aggregate fair market value of at least \$150,000. This ownership is to be maintained for the duration the director remains on the Board. L.M. Charlton, M.R.P. Rayfield, J.W. Simpson, and R.J. Urwin have less than five years tenure on the Board. Effective February 20, 2008, the requirement has been revised to 1.5 times the annual board retainer.
- (3) The number of shares beneficially owned or over which control or direction is exercised by the director, as of March 3, 2008.
- (4) The information as to shares beneficially owned or controlled has been furnished by the nominees. Shares purchased under the director share purchase plan are included and provided by the Corporation.
- (5) The directors annually attend a comprehensive four to five-day strategy conference.
- (6) Corporate Governance – Nomination, Compensation and Succession Committee.
- (7) An associate of R.D. Southern, other than Sentgraf Enterprises Ltd., owns 3,296 Class I Non-Voting and 1,648 Class II Voting Shares of ATCO Ltd. Shares held by this associate are not included in the shareholdings of R.D. Southern.
- (8) Canadian Airlines Corporation filed for protection under the Companies' Creditors Arrangement Act within one year after R.D. Southern resigned as a director.
- (9) Dr. R.J. Urwin was appointed to the Board and Audit Committee on May 3, 2007.

**Board of Directors**

The Board generally meets five times a year and additionally during the year as the need arises. The frequency and length of meetings and the nature of agenda items depend upon the circumstances. Meetings are generally lengthy, detailed and well attended, and are conducted in an atmosphere which encourages participation and independence. In addition to regularly scheduled Board and committee meetings, the directors annually attend a comprehensive four to five-day strategy session. Round table discussion sessions and director briefings are also held throughout the year. Each director's meeting attendance is disclosed on pages 3 through 9. The Board mandate, attached to this proxy circular as Schedule B, outlines the roles and responsibilities of the Board.

The Corporation's operations are conducted through its principal operating subsidiaries, and each subsidiary is assigned to one of four business group boards: Power Generation, Utilities, Energy Services & Technologies, and Industrials & Logistics. Directors of the Corporation may sit on a business group board, and there are ten other outside directors who are not directors of the Corporation. These

individuals provide independent advice regarding the operations of the principal operating subsidiaries within their business groups and gain experience with respect to the roles and responsibilities of public company directors.

### Directors' Attendance

All directors are expected to attend meetings of the Board and the committees on which they serve. However, there may, from time to time, be extenuating circumstances for directors not attending meetings, especially for directors in positions of leadership in other corporations, particularly when they are in the process of assuming new positions or involved in major undertakings. It is also understood that directors may have, on occasion, family bereavement or health issues. The Corporation is supportive and understanding of such circumstances. When a director's attendance is deemed to be unsatisfactory, interviews are conducted by each of the Chairman and the Lead Director during which a clear understanding of the Corporation's expectations for attendance is formally communicated to assure significant improvement and optimal attendance in subsequent reporting periods.

### Compensation of Directors

The following table sets forth the annual retainers and attendance fees paid to members of the Board during 2007:

Directors' Remuneration	(\$)
Annual Retainers	
Director	95,000
Chairman of the Board	175,000
Vice Chairman of the Board	50,000
Lead Director	30,000
Audit Committee Chair	15,000
Audit Committee Members	5,000
Corporate Governance - Nomination, Compensation and Succession Committee Chair	5,000
Risk Review Committee Chair	5,000
Pension Fund Committee Chair	5,000
Meeting Fees	
Board Meeting, Strategy, Round Table, and Briefing Session	2,000
Meeting for routine administrative matters where nature of discussion is brief	800
Committee Meeting	800

Note: The retainers for Vice Chairman, Lead Director, committee chairs and members are paid in addition to the annual director retainer of \$95,000. The Chairman of the Board is paid one retainer of \$175,000.

Effective May 8, 2008, the following new fees will take effect: director retainer \$120,000, Audit Committee Chair \$20,000, Audit Committee member \$8,500, and committee attendance \$1,500 per meeting.

## Fees Paid to Individual Directors

The following table summarizes the cash compensation that was paid to each non-employee director of the Corporation for the year ended December 31, 2007:

Name	Board Retainer (\$)	Committee Chair Retainer (\$)	Committee Member Retainer (\$)	Board Attendance Fees <sup>(3)</sup> (\$)	Committee Attendance Fees <sup>(3)</sup> (\$)	Other Fees <sup>(3)(4)</sup> (\$)	Total Fees Paid (\$)	Portion of Annual Retainer Applied to Share Purchase <sup>(5)</sup> (%)
R.T. Booth	95,000	-	-	14,000	4,000	45,967	158,967	21%
W.L. Britton	145,000 <sup>(1)</sup>	1,667	-	10,734	2,000	36,998	196,399	21%
L.M. Charlton	95,000	-	5,000	13,200	4,000	41,667	158,867	37%
B.P. Drummond	95,000	-	-	11,800	5,600	4,000	116,400	50%
B.K. French	95,000	5,000	3,333	10,734	1,135	42,931	158,133	21%
L.A. Heathcott	95,000	-	-	12,000	5,600	21,100	133,700	50%
H.M. Neldner	95,000	13,333	5,000	10,734	6,735	45,665	176,467	21%
M.R.P. Rayfield	95,000	-	-	14,800	6,400	8,000	124,200	47%
J.W. Simpson	125,000 <sup>(2)</sup>	10,000	1,667	13,200	9,866	47,884	207,617	21%
R.D. Southern	175,000	-	-	10,734	-	6,265	191,999	n/a
R.J. Urwin	64,402	-	3,333	10,000	2,400	20,400	100,535	21%
C.W. Wilson	95,000	-	5,000	11,800	2,000	38,733	152,533	21%
Total	1,269,402	30,000	23,333	143,736	49,736	359,610	1,875,817	

<sup>(1)</sup> Includes retainer for Vice Chairman of the Board.

<sup>(2)</sup> Includes retainer for Lead Director.

<sup>(3)</sup> Directors are paid \$2,000 for each regularly scheduled meeting of the Board. For other Board and committee meetings, the directors are paid a maximum fee of up to \$2,000 per day. For the directors that are on the committees of both Canadian Utilities Limited and ATCO Ltd. the fees are shared proportionately when meetings are held on the same day.

<sup>(4)</sup> Includes fees for attendance at the annual strategy conference, round table, operational overview, business plan sessions, and ad hoc committee meetings, business group board and designated audit director retainers and meeting fees, as well as fees paid to directors for attending committee meetings as invitees.

<sup>(5)</sup> A minimum of \$20,000 of an outside director's annual retainer is paid in Class A non-voting shares of the Corporation. Directors have the option of receiving up to 50% of their annual retainer in Class A non-voting shares. The Chairman of the Board is exempt from this requirement.

In addition to regular Board and committee meetings, the directors participate in an annual strategy conference, operational overviews, round tables and a business plan session.

From time to time, the Board forms ad hoc committees to undertake special initiatives. The chair and members of any such ad hoc committees receive such fees as may be determined when any such ad hoc committees are appointed. No ad hoc committees were formed in 2007.

Directors are reimbursed for travel and other expenses incurred for attendance at Board and committee meetings. Directors who are full-time salaried employees of the Corporation receive no remuneration for serving as a director.

## Director Equity Ownership Interest

Within five years of being appointed to the Board of the Corporation, directors should directly or indirectly own shares of the Corporation having an aggregate fair market value of at least \$150,000. Effective February 20, 2008, the requirement to own shares has been revised to 1.5 times the annual board retainer.

The following table sets out each non-employee director's equity ownership in the Corporation and any changes in the ownership interest since March 1, 2007:

Name	Equity Ownership as at March 1, 2007		Equity Ownership as at March 3, 2008		Net Change in Equity Ownership		Equity at Risk <sup>(1)</sup> (\$)	Value at Risk as a Multiple of Annual Board Retainer
	Class B Common Shares	Class A Non-Voting Shares	Class B Common Shares	Class A Non-Voting Shares	Class B Common Shares	Class A Non-Voting Shares		
R.T. Booth	0	3,800	0	4,229	0	429	191,658	2.0
W.L. Britton	0	15,999	0	16,455	0	456	745,741	7.8
L.M. Charlton	100	415	100	2,327	0	1,912	109,940	1.2
B.P. Drummond	0	6,500	0	17,533	0	11,033	794,596	8.4
B.K. French	700	4,900	700	5,342	0	442	273,459	2.9
L.A. Heathcott	2,000	4,500	2,000	5,533	0	1,033	340,356	3.6
H.M. Neldner	0	4,500	0	4,942	0	442	223,971	2.4
M.R.P. Rayfield	0	1,126	0	3,122	0	1,996	141,489	1.5
J.W. Simpson	0	4,288	0	4,747	0	459	215,134	2.3
R.D. Southern <sup>(2)</sup>	144,804	256,104	144,804	256,104	0	0	18,093,852	103.4
R.J. Urwin <sup>(3)</sup>	0	0	0	8,565	0	8,565	388,166	4.1
C.W. Wilson	0	10,500	0	10,942	0	442	495,891	5.2
Total	147,604	312,632	147,604	339,841	0	27,209	22,014,253	

<sup>(1)</sup> Equity at Risk is shown as at March 3, 2008, and was the market value (determined by reference to the closing price of Class A non-voting shares and Class B common shares on the Toronto Stock Exchange) of the shares owned by the director and excludes preferred shares and options.

<sup>(2)</sup> Mr. Southern beneficially owns 4 Class B common shares and 157,504 Class A non-voting shares of the Corporation and is the controlling shareholder of Sentgraf Enterprises Ltd., which owns 144,800 Class B common shares and 98,600 Class A non-voting shares.

<sup>(3)</sup> Dr. R.J. Urwin was appointed to the Board and Audit Committee on May 3, 2007.

### Director Option and Share Appreciation Rights Plans

Directors are currently eligible to receive grants of options and share appreciation rights under the Corporation's long-term incentive plans. A grant of 2,000 options was made to R.J. Urwin upon his appointment as a director of the Corporation in May 2007. If elected, the nominee directors will each be awarded a grant of 2,000 options. Effective August 1, 2008, non-employee directors will no longer be eligible to receive options.

Directors who are not employees of the Corporation exercised stock options and share appreciation rights during the year. The following table summarizes the incentives exercised:

Name	Canadian Utilities Limited	
	Options/SARs Exercised (#)	Aggregate Value Realized (\$)
B.P. Drummond		
Options	10,000	252,300
SARs	14,000	422,520
L.A. Heathcott		
SARs	50,000	1,348,750
R.D. Southern		
SARs	100,000	2,434,500

Note: Figures have been adjusted to reflect the two-for-one stock split by way of stock dividend on September 15, 2005.

## Director Retirement

Any director who turns 70 years of age prior to the next annual meeting of shareholders is required to tender a letter of resignation to the Chairman of the Board. The Chairman of the Board together with the members of GOCOM will then evaluate whether to accept the resignation depending on the needs of the Board and circumstances of the Corporation at that time. If the resignation is not accepted it will be kept until such time as it is accepted by the Chairman. When the resignation is accepted it will become effective the day before the next annual meeting of shareholders.

## Board Committees

The Board of the Corporation has four committees: Audit Committee, Corporate Governance - Nomination, Compensation and Succession Committee, Risk Review Committee and Pension Fund Committee. The Board annually appoints committee members and reviews and approves the committee mandates. The Corporation does not have an executive committee. In addition, from time to time, ad hoc committees of the Board are appointed to consider matters such as related party transactions and other issues of importance to the Board and the Corporation.

Director	Board Committees			
	Audit	GOCOM	Risk Review	Pension Fund
R.T. Booth			X	
W.L. Britton		X		
L.M. Charlton	X			
B.P. Drummond		X		X
B.K. French	X		X	
L.A. Heathcott				X
H.M. Neldner	X	Chair	Chair	Chair
M.R.P. Rayfield				X
J.W. Simpson	Chair	X	X	
R.J. Urwin	X			
C.W. Wilson	X		X	

All Committee Chairs provide regular reports to the Board. Complete copies of the committee mandates are available on the Corporation's website at [www.canadian-utilities.com](http://www.canadian-utilities.com). The Audit Committee mandate is also disclosed in the Corporation's annual information form.

## Audit Committee

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Members: J.W. Simpson (Chair), L.M. Charlton, B.K. French, H.M. Neldner, R.J. Urwin, and C.W. Wilson

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The Audit Committee is comprised of six members. Each member is independent and financially literate within the meaning of these terms as defined in Multilateral Instrument 52-110 *Audit Committees*. The Committee has oversight responsibility for the Corporation's financial reporting. Its principal function is the review and recommendation to the Board of Directors of the annual financial statements, including management's discussion and analysis, the annual information form and the annual earnings press release. The Committee recommends the appointment of the Corporation's external auditor to the Board and is responsible for the compensation and oversight of the external auditor.

The Committee is also responsible for:

- Reviewing and approving the interim financial statements, management's discussion and analysis and earnings press releases;
- Ensuring adequate procedures are in place for the review and disclosure of financial information and periodically assessing the adequacy of such procedures;
- Ensuring the Corporation has implemented appropriate systems of internal control over financial reporting and that these systems are operating effectively;
- Ensuring the internal audit function has been effectively carried out and the internal auditor has adequate resources;
- Pre-approving all non-audit services provided by the external auditor;
- Reviewing and approving the Corporation's hiring policies regarding partners, employees and former partners and employees of the external auditor;
- Ensuring procedures have been established for the receipt, retention and treatment of complaints received regarding accounting, internal accounting controls, auditing matters, fraud or theft;
- Ensuring disaster recovery plans are in place;
- Reviewing annually the adequacy of the Committee mandate; and
- Staying abreast of changes to accounting standards.

The Committee held five meetings in 2007. The Committee reviewed the financial statements and related materials, met with and received reports from the external auditor and recommended their appointment by shareholders, and received reports on internal control and anti-fraud measures. Other matters reviewed with the Committee at its meetings in 2007 included:

- Quarterly Director, Designated Audit Director and Disclosure Committee reports;
- Internal audit matters including the audit plan, plan status reports and staffing adequacy;
- Updates on the Internal Control Certification Program in response to new rules released by Canadian securities regulators;
- Updates on the adoption and implementation of International Financial Reporting Standards;
- Policies regarding the review of illegal or unethical accounting and auditing matters, disclosure, external auditor services and recruitment of external auditors; and
- Mandates of the Designated Audit Directors, management's Disclosure Committee and Internal Audit.

The Committee met quarterly with the external auditor without the presence of management. Separate in camera sessions were held with each of management and the internal auditor. Committee member only in camera sessions are held at the request of the chair or any member.

In November 2007, the Audit Committee reviewed its mandate. The Committee is satisfied that it has appropriately fulfilled its mandate for the year ended December 31, 2007.

Submitted by the members of the Audit Committee:

J.W. Simpson, Chair  
L.M. Charlton  
B.K. French  
H.M. Neldner  
R.J. Urwin  
C.W. Wilson

*Corporate Governance - Nomination, Compensation and Succession Committee*

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Members: H.M. Neldner (Chair), W.L. Britton, B.P. Drummond, and J.W. Simpson

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The Corporate Governance – Nomination, Compensation and Succession Committee has four members, one of whom is not independent. The Committee is responsible for contributing to the effective stewardship of the Corporation by assisting the Board in its oversight of corporate governance, nomination, compensation and succession matters. The Committee reviews the mandates of the Board and its committees on an annual basis and is responsible for the disclosure respecting compensation and the basis on which performance is measured. The Committee reviews and determines the overall compensation program for all officers of the Corporation and its subsidiaries including base salary, short-term incentives, and long-term incentives. This process is outlined on page 20. The Committee also assesses the effectiveness of the Board, reviews the size and composition of the Board, and considers persons as nominees for directors.

The Committee held four meetings in 2007 with two of the meetings several days in length. During those meetings the Committee reviewed and made recommendations regarding the following:

- The Chief Executive Officer's performance, related annual bonus and base salary;
- Annual bonuses and base salaries of executive officers;
- Corporate targets and the Chief Executive Officer's objectives;
- Succession plans for the Chief Executive Officer and senior management;
- Amendments to compensation plans;
- Officer appointments;
- Strategies to attract, develop and retain employees;
- Corporate governance disclosure;
- Grants of stock options and share appreciation rights;
- Officers' supplemental pension plan;

- Board Committee, Board and individual director evaluation processes; and
- Directors' compensation.

The Committee also spent a significant amount of time on Board succession and recruitment. In addition the Committee receives updates from legal counsel on recent developments in corporate governance and disclosure.

Independent committee member only in camera sessions were held at each of the four meetings in 2007.

In February 2008, the Committee reviewed its mandate. The Committee is satisfied that it has appropriately fulfilled its mandate for the year ended December 31, 2007.

Submitted by the members of the Corporate Governance – Nomination, Compensation and Succession Committee:

H.M. Neldner, Chair  
W.L. Britton  
B.P. Drummond  
J.W. Simpson

#### *Risk Review Committee*



Members: H.M. Neldner (Chair), R.T. Booth, B.K. French, J.W. Simpson, and C.W. Wilson

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The Risk Review Committee is comprised of five members. The Committee reviews risks that are identified as being significant to the Corporation as well as significant risks of its subsidiaries that could materially affect the Corporation's ability to achieve its strategic or operational objectives. The Committee is responsible for ensuring identified risks are appropriately addressed. The Committee is also responsible for ensuring there are adequate processes, policies, procedures and means to manage and mitigate identified risks. The Committee oversees emergency response and disaster recovery plans.

The Committee is also responsible for ensuring that adequate systems are in place in the principal operating subsidiaries to monitor and comply with applicable environmental legislation and conform to industry standards. The Committee may request the internal auditor to review certain areas with respect to risk and may review financial policies with the Chief Financial Officer and recommend changes in light of current business conditions.

The Committee held two meetings in 2007 during which the following matters were reviewed:

- Potential risks including market, operational, funding and liquidity, regulatory and overall business risk;

- Reports from subsidiary Risk Management Committee meetings;
- Report on Risk Management Committee assessments by the internal auditor;
- Update on insurance coverage;
- Risk Management and Control Policy; and
- Risk Management Committee mandate.

During the year the Risk Review Committee received management presentations relating to the Corporation's Crisis Management and Communications Plan. The Director of Security for the Corporation also provided an overview of security measures employed by the Corporation.

The Risk Review Committee reviewed its mandate in November 2007. The Committee is satisfied that it has appropriately fulfilled its mandate for the year ended December 31, 2007.

Submitted by the members of the Risk Review Committee:

H.M. Neldner, Chair  
R.T. Booth  
B.K. French  
J.W. Simpson  
C.W. Wilson

#### *Pension Fund Committee*

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Members: H.M. Neldner (Chair), B.P. Drummond, L.A. Heathcott, and M.R.P. Rayfield

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The Pension Fund Committee is comprised of four members. The Committee oversees the retirement plans for employees of the Corporation in accordance with the Pension Governance Policy. The primary responsibilities of this Committee are to oversee the governance structure of the pension plans (defined benefit and defined contribution) and approve policy decisions for benefit design and liability management, funding and investment of the plans, and to select and monitor the investment managers for the plans.

The Committee is responsible for approving the appointment, termination or replacement of the plans' actuary, investment managers, auditors, trustees, custodians and performance measurement services provider.

The Committee held four meetings in 2007 and received reports on:

- The plans' compliance with applicable laws, regulations and corporate policies and procedures;
- The appropriateness of the plans' investment options and investment managers' performance;
- The status of liabilities under the plans;
- Funding valuations for the defined benefit plans;

- Administration and investment management costs; and
- Audited financial statements for the plans.

The investment managers of the plans meet with the Committee on a semi-annual basis to review performance, investments, adherence to style and mandates and changes to ownership and personnel within their organizations.

Amendments to the plans were approved as required under amendments to the Alberta Employment Pensions Plans Act and Employment Pensions Plans Regulation.

Recommended changes to investment managers for the defined benefit plans and investment fund options for the defined contribution plan were reviewed and implemented.

The Committee receives regular reports and recommendations from the Corporation's Management Pension Committee and during the year also reviewed and approved governance documents and committee mandates.

The Committee held one scheduled in camera session during which it reviewed and assessed the performance of the Management Pension Committee.

The Committee reviewed its mandate in November 2007. The Committee is satisfied that it has appropriately fulfilled its mandate for the year ended December 31, 2007.

Submitted by the members of the Pension Fund Committee:

H.M. Neldner, Chair  
B.P. Drummond  
L.A. Heathcott  
M.R.P. Rayfield

### **Directors' and Officers' Liability Insurance**

The Corporation, ATCO Ltd. and their affiliates have purchased insurance with an annual aggregate limit of \$175,000,000 for such corporations and their directors and officers. The premium paid by the Corporation in the financial year ended December 31, 2007, was \$553,000. No part of the premium was paid by a director or officer. The Corporation is responsible for the first \$1,000,000 of any loss and there is no deductible in respect of claims against any director or officer.

### **APPOINTMENT OF AUDITOR**

The persons named in the accompanying form of proxy intend to vote for the appointment of PricewaterhouseCoopers LLP as the auditor of the Corporation to hold office until the next annual meeting of shareholders of the Corporation. Appointment of the auditor requires the approval of a majority of the votes cast by the holders of the Class B common shares.

**Auditor's Fees**

The aggregate fees incurred by the Corporation and its subsidiaries for professional services provided by PricewaterhouseCoopers LLP in 2007 and 2006 were as follows (\$ millions):

	<b>2007</b>	<b>2006</b>
Audit	\$1.6	\$1.4
Audit Related	0.1	0.1
Tax	0.2	0.3
Other	0.1	0.0
	\$2.0	\$1.8

Representatives of PricewaterhouseCoopers LLP are planning to attend the annual meeting and will be available to respond to appropriate questions.

## **SECTION 3 EXECUTIVE COMPENSATION**

### **CORPORATE GOVERNANCE – NOMINATION, COMPENSATION AND SUCCESSION COMMITTEE PROCESS, INDEPENDENT ADVICE, AND DECISION MAKING**

The Corporate Governance – Nomination, Compensation and Succession Committee (“GOCOM”) reviews and determines the overall compensation program for all officers of the Corporation and its subsidiaries, including base salary, short-term incentives, and long-term incentives.

#### **Committee Process**

GOCOM recognizes the importance of maintaining sound governance practices for the administration of executive total rewards programs. To ensure GOCOM has the ability to effectively perform its responsibilities the following procedures are established:

1. GOCOM has in camera sessions at each meeting, four times per year, to address executive compensation items.
2. GOCOM reviews a tally sheet for all executives that includes a three-year history of base pay changes, incentive plan payments, discretionary payments, perquisites, share plan ownership and grants, and pension and benefits.
3. The granting of stock options and share appreciation rights generally occurs once per year during concurrent deliberation of Total Direct Compensation (“TDC”). TDC is defined as base pay plus target bonus and the expected value of long-term incentives.
4. GOCOM directs management to provide the initial analysis and commentary on its behalf on a range of compensation matters.
5. GOCOM reviews this material along with other information received from external advisers in its deliberations before considering and/or rendering decisions.
6. GOCOM has full discretion to adopt management recommendations or to alter them and to consult its own external advisers.

#### **Independent Advice**

GOCOM engages independent compensation consultants to undertake market competitive compensation analysis of executive positions, to provide information on current market practices, and to provide advice in the development of new or revision of existing elements of the executive compensation programs. GOCOM also engages independent legal advice on securities law and matters related to executive compensation.

#### **Executive Compensation Advisory Services**

GOCOM engaged the services of Towers Perrin to provide executive compensation consulting services during 2007. The mandate of the consultant was to undertake market comparisons, gather information on competitive compensation practices, and to provide advice on developing appropriate compensation programs for the Corporation’s executive officers. The fees paid to Towers Perrin in 2007 for the consultant’s services were approximately \$260,000 for compensation, administration, benefits, and actuarial consulting services as well as published surveys and studies. Approximately \$108,000 was incurred for direct executive compensation services. In 2007, Mercer provided the Corporation with non-executive compensation, benefit, and pension actuarial consulting services, and published surveys and

studies. The fees paid for these services were approximately \$350,000. GOCOM annually pre-approves the consulting services of Towers Perrin and Mercer.

### **GOCOM Decision-Making Criteria**

GOCOM reviews and approves each individual executive's TDC annually. Several factors are considered in totality, together with any other considerations that are determined to be relevant, in making compensation decisions. These factors include:

1. Market data that shows how the executive is paid in relation to the market median (50<sup>th</sup> percentile) for base salary, short-term incentives and long-term incentives.
2. Individual performance measures that indicate the executive's demonstrated delivery of results and alignment to the values and direction of the Corporation, and further, the ability to develop and mentor other high-potential employees.
3. Business unit and corporate performance against a range of financial, operational excellence, people leadership, and long-term growth strategy targets.

### **EXECUTIVE COMPENSATION PROGRAM**

#### **Philosophy, Objectives and Principles**

The Corporation's group-wide compensation philosophy is to provide "competitive pay for competitive performance". This philosophy is designed to closely align the interests of executives and shareholders, and to support the continued success of the Corporation. GOCOM approves compensation principles and objectives that ensure the achievement of this approach.

The objectives of the Corporation's executive compensation plan are as follows:

1. Attract, retain, and align to the Corporation's business objectives, talented executives in a highly competitive business environment.
2. Compensate executives in a way that creates sustained shareholder value by:
  - ensuring all executives have an "at risk" component of total compensation that reflects their ability to influence business outcomes and financial performance;
  - linking short-term incentives to prudent corporate performance and paying only in the event that prescribed targets and objectives are met or exceeded;
  - aligning the performance of the executive to the strategic plan of the Corporation; and
  - linking long-term incentives to sustainable profitable growth.

The Corporation's compensation principles are as follows:

1. Establish TDC, pension benefits and perquisites at the median of the relevant comparator markets.
2. Provide a significant portion of TDC based on corporate and individual performance which is to be paid only in the event that prescribed targets are met or exceeded.
3. Utilize relevant peer industries and companies that may be global, national or Alberta-based. Companies are either of a similar size and scope of operations or the data is adjusted to reflect the appropriate size and scope through linear regression analysis. Comparator company data is obtained from the Towers Perrin National Compensation Database, the Towers Perrin Energy Survey, the Mercer Benchmark Database, and the Mercer Petroleum Survey.

Comparator Groups Used For Market Competitiveness

<b>Industry</b>	Oil and gas, utilities, energy, general industry, technology, and capital intensive organizations.
<b>Location</b>	Alberta, national, and global.
<b>Relevance to Canadian Utilities Limited</b>	Companies are selected based on their comparability to the Corporation's operations. For each subsidiary company the appropriate comparator group is established by industry and comparable size of operations using revenue, number of employees and market capitalization.

**Executive Compensation Program Elements**

Executive compensation consists of three main elements: base salary, short-term incentives (bonus), and long-term incentives (stock options and share appreciation rights). The percentage of TDC 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. GOCOM may also award discretionary bonuses to reward executive officers for their contribution to especially notable accomplishments.

The following chart provides an overview of the executive compensation program elements and plans, the performance period, and the mix of fixed versus variable pay for the CEO and senior executive officers.

Elements of Executive Compensation

Element	Plan	Performance Period	Pay Mix		Component of Total Direct Compensation	Type of Compensation
			Senior Executives (Average)	CEO		
Base Salary	Base Pay Program	1 year	56%	29%	Fixed	Annual
Target Short-Term Incentive	Executive Bonus Program	1 year	28%	17%	Variable	
Stock Options	Stock Option Plan	Vesting over 5 years with 10 year term	16%	54%		
SARs	Share Appreciation Rights Plan	Vesting over 5 years with 10 year term				

## Base Salary

The base pay program provides a fixed level of income based on the market value of the position. All executive roles are matched to similar positions in the comparator group. Base salaries are targeted at the median (50<sup>th</sup> percentile); however, salaries up to the 75<sup>th</sup> percentile are provided to reward sustained individual performance which is above the expectations of the role. GOCOM may make adjustments in an individual's salary during the year based on changes in the executive's responsibilities.

## Short-Term Incentive Plan

Executive performance is demonstrated through the achievement of objectives that are determined at the beginning of each calendar year. Financial, operational and individual performance measures are set each year. Operational measures are based on operational metrics at the business unit level, which reinforce the importance of operating efficiency, safety goals and other metrics that are relevant to the business unit. Financial targets are set by GOCOM each year, with a range of performance measures from threshold to target for each company. The final measure is the individual performance of the executive in contributing to the achievement of the Corporation's goals.

If the Corporation does not achieve threshold net earnings bonuses are not paid. If an individual business unit does not achieve its threshold net earnings, then bonuses are not paid to the employees or executives of that business unit. The bonus program also includes a provision that forfeits bonus payments to the employees and executives with direct accountability if an event causes a material re-statement of Management's Discussion & Analysis. This provision was created in 2007 and applies to all bonus-eligible employees and executives. It was added to ensure that internal management controls and audit requirements are met and followed throughout the Corporation.

The following chart provides the percentage range of bonus that is provided by achieving target or maximum performance on the performance metrics (either financial or operational metrics). There is a graduated scale for achieving performance above threshold to target that provides for partial payment of bonuses. There is no payment of bonuses for threshold or below threshold performance. This summary further indicates by executive level the targets set at the corporate level, the subsidiary level or a combination of both.

Executive Level	As a % of Base Salary		Corporate Performance	Subsidiary Performance	
	Target Bonus	Maximum Bonus	Financial Metrics	Financial Metrics	Operational Metrics
CEO	0 to 60%	61% to 120%	X		
Senior Executives					
Corporate	0 to 50%	51% to 100%	X		
Presidents - Subsidiaries	0 to 50%	51% to 100%	X	X	X
Executives					
Corporate	0 to 30% 0 to 40% 0 to 50%	31% to 60% 41% to 80% 51% to 100%	X		
Subsidiaries	0 to 30% 0 to 40% 0 to 50%	31% to 60% 41% to 80% 51% to 100%	X	X	X

Based on the achievement of 2007 performance targets, bonuses were awarded to the Named Executive Officers as shown in the tables on pages 25 to 29 and in the summary compensation table on page 31.

## **Long-Term Incentive Plans – Stock Options and Share Appreciation Rights**

The long-term incentive plans are designed to reward sustainable profitable growth. GOCOM awards stock options and share appreciation rights on an ad hoc basis in conjunction with an analysis of each executive's TDC and individual performance.

The Corporation is authorized to grant options to purchase 6,400,000 Class A non-voting shares (5.11% of the number of outstanding Class A non-voting and Class B common shares). During 2007, 64,300 Class A non-voting shares were issued on the exercise of options.

### Long-Term Incentive Plan Specific Terms

GOCOM may designate directors, officers and key employees of the Corporation and its subsidiaries to be granted options to purchase Class A non-voting shares at an exercise price equal to the weighted average of the trading price of the shares on the TSX for the five trading days immediately preceding the date of grant. The vesting provisions and exercise period are determined at the time of grant. Options are not assignable and cannot be converted into share appreciation rights. Options terminate on the earlier of their expiration or 90 days after a participant ceases to be a director, officer or employee for any reason other than death, disability or retirement, in which case they terminate after two years. Effective August 1, 2008, non-employee directors will no longer be eligible to participate in the Corporation's stock option plan.

### Share Appreciation Rights Plan

In addition to the stock option plan, the Corporation has a share appreciation rights plan. GOCOM may designate directors, officers and key employees of the Corporation and its subsidiaries to be granted share appreciation rights based on the Class A non-voting shares. The vesting provisions and exercise period, which cannot exceed ten years, are determined at the time of grant. The holder is entitled to receive a cash payment from the Corporation equal to any increase in the market price of the Class A non-voting shares over the base value of the share appreciation rights exercised. The base value is equal to the weighted average of the trading price of the Class A non-voting shares on the TSX for the five trading days immediately preceding the date of grant. Rights are not assignable and terminate on the earlier of their expiration or 90 days after a participant ceases to be a director, officer or employee for any reason other than death, disability or retirement, in which case they terminate after two years.

## **Total Compensation Summary**

Each Named Executive Officer's total compensation is provided in a table that includes a complete tally of their annual TDC, securities, other earnings and total compensation.

## Named Executive Officers



**Nancy C. Southern**

Age: 51

Location: Calgary, AB  
Canada

Years of Service: 18

Ms. Southern is President & Chief Executive Officer of Canadian Utilities Limited and ATCO Ltd. In the role since January 1, 2003, Ms. Southern was previously Co-Chairman and Chief Executive Officer from 2000 to 2003, Deputy Chief Executive Officer from 1998 to 2000, and Deputy Chairman from 1996 until 1998. 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 \$259.3 million in 2003 to \$386.7 million in 2007. In addition, Canadian Utilities Limited's total assets have grown from \$6.1 billion in 2003 to approximately \$7.3 billion in 2007.

### Three Year Compensation

Year	Cash Compensation		Equity		Total Direct Compensation	Pension Service and Compensation Cost	All Other Compensation <sup>(3)</sup>	Total Compensation
	Base Salary <sup>(1)</sup>	Annual Incentive	Stock Option Grant Value <sup>(2)</sup>	SAR Grant Value <sup>(2)</sup>				
2007	900,000	1,080,000	124,384	124,384	2,228,768	832,665	13,500	3,074,933
2006	890,000	890,000	304,920	Nil	2,084,920	293,123	8,900	2,386,943
2005	890,000	890,000	604,900	604,900	2,989,800	713,542	Nil	3,703,342

<sup>(1)</sup> The amounts shown under base salary and annual incentive were paid by Canadian Utilities Limited and reflect 90% of the Named Executive Officer's total salary and annual incentive paid by ATCO Group in 2007 and 89% in 2006 and 2005. The balance of the salary and annual incentive (10% in 2007, 11% in 2006 and 2005) was paid by ATCO Ltd., the parent corporation. On January 1, 2006, and January 1, 2007, base salary was not increased. Effective January 1, 2007, target annual incentive was increased to 60% with a 2 X multiplier for a maximum target of 120% of base salary if stretch targets are achieved.

<sup>(2)</sup> Grant values are determined by utilizing the binomial valuation methodology.

<sup>(3)</sup> Represents the employer contribution to the Employee Share Purchase Plan.

	Aggregate Holdings and Value of Canadian Utilities Limited Options and SARs Held on December 31, 2007				Canadian Utilities Limited Options and SARs Exercised during 2007	
	Unexercised Options/SARs at December 31, 2007		Value of Unexercised In-the-Money Options/SARs at December 31, 2007		Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)
	Exercisable (#)	Unexercisable (#)	Exercisable (\$)	Unexercisable (\$)		
<b>Canadian Utilities Limited</b> Class A non-voting						
Options	218,000	184,000	4,394,820	2,134,180	Nil	Nil
SARs	52,000	158,000	873,210	2,269,650	Nil	Nil

Note: Option and SAR figures have been adjusted to reflect the two-for-one stock split by way of stock dividend on September 15, 2005.

**Named Executive Officers (continued)**



**Karen M. Watson**  
 Age: 56  
 Location: Calgary, AB  
 Canada  
 Years of Service: 30

Ms. Watson is Senior Vice President & Chief Financial Officer, responsible for Finance, Internal Audit, Accounting, Treasury, Taxation and Risk Management. Appointed to the role in 2004, Ms. Watson was previously the Vice President, Finance and Controller, an appointment which occurred in 2002. In 2007, Ms. Watson's direction and oversight contributed to strong earnings growth and the prudent management of expenses at Canadian Utilities Limited and across the Canadian Utilities subsidiary companies. Ms. Watson also directed the implementation of a number of changes to regulatory and accounting standards in 2007.

**Three Year Compensation**

Year	Cash Compensation		Equity		Total Direct Compensation	Pension Service and Compensation Cost	All Other Compensation <sup>(3)</sup>	Total Compensation
	Base Salary <sup>(1)</sup>	Annual Incentive	Stock Option Grant Value <sup>(2)</sup>	SAR Grant Value <sup>(2)</sup>				
2007	342,000	342,000	43,534	43,534	771,068	396,139	1,620	1,168,827
2006	293,700	307,050	30,492	30,492	661,734	236,672	1,068	899,474
2005	267,000	329,300	Nil	Nil	596,300	171,432	Nil	767,732

<sup>(1)</sup> The amounts shown under base salary and annual incentive were paid by Canadian Utilities Limited and reflect 90% of the Named Executive Officer's total salary and annual incentive paid by ATCO Group in 2007 and 89% in 2006 and 2005. The balance of the salary and annual incentive (10% in 2007, 11% in 2006 and 2005) was paid by ATCO Ltd., the parent corporation.

<sup>(2)</sup> Grant values are determined by utilizing the binomial valuation methodology.

<sup>(3)</sup> Represents the employer contribution to the Employee Share Purchase Plan.

	Aggregate Holdings and Value of Canadian Utilities Limited Options and SARs Held on December 31, 2007				Canadian Utilities Limited Options and SARs Exercised during 2007	
	Unexercised Options/SARs at December 31, 2007		Value of Unexercised In-the-Money Options/SARs at December 31, 2007		Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)
	Exercisable (#)	Unexercisable (#)	Exercisable (\$)	Unexercisable (\$)		
<b>Canadian Utilities Limited</b> Class A non-voting						
Options	14,400	11,800	325,416	27,756	Nil	Nil
SARs	7,200	13,800	120,444	62,436	Nil	Nil

Note: Option and SAR figures have been adjusted to reflect the two-for-one stock split by way of stock dividend on September 15, 2005.

**Named Executive Officers (continued)**



**Michael M. Shaw**  
 Age: 53  
 Location: Calgary, AB  
 Canada  
 Years of Service: 29

Mr. Shaw is Managing Director, Global Enterprises, responsible for industrial manufacturing, technology, logistics and energy services, which includes the Canadian Utilities Limited subsidiary companies ATCO Midstream, ATCO Frontec, ATCO I-Tek and ATCO Travel. Appointed Managing Director in 2004, Mr. Shaw directed record earnings in 2006 in the majority of Global Enterprises' companies. In 2007, record earnings were achieved in all four of the Global Enterprises' companies. In addition, ATCO Frontec successfully bid on five major contracts for NATO. ATCO I-Tek's call centre received the energy sector's Service Quality Award of Excellence for highest customer satisfaction for the second year in a row in addition to an Improvement Merit Award for First Call Resolution.

**Three Year Compensation**

Year	Cash Compensation		Equity		Total Direct Compensation	Pension Service and Compensation Cost	All Other Compensation <sup>(3)</sup>	Total Compensation
	Base Salary <sup>(1)</sup>	Annual Incentive	Stock Option Grant Value <sup>(2)</sup>	SAR Grant Value <sup>(2)</sup>				
2007	418,500	418,500	68,411	68,411	973,822	127,821	23,670 <sup>(3)</sup>	1,125,313
2006	391,600	391,600	30,492	30,492	844,184	107,135	20,648 <sup>(4)</sup>	971,967
2005	373,800	498,400	Nil	Nil	872,200	87,616	16,020 <sup>(5)</sup>	975,836

<sup>(1)</sup> The amounts shown under base salary and annual incentive were paid by Canadian Utilities Limited and reflect 90% of the Named Executive Officer's total salary and annual incentive paid by ATCO Group in 2007 and 89% in 2006 and 2005. The balance of the salary and annual incentive (10% in 2007, 11% in 2006 and 2005) was paid by ATCO Ltd., the parent corporation.

<sup>(2)</sup> Grant values are determined by utilizing the binomial valuation methodology.

<sup>(3)</sup> Represents the amount contributed by the Corporation to M.M. Shaw's defined contribution pension (\$18,000) and the amount of the employer contribution to the Employee Share Purchase Plan (\$5,670).

<sup>(4)</sup> Represents the amount contributed by the Corporation to M.M. Shaw's defined contribution pension (\$16,910) and the amount of the employer contribution to the Employee Share Purchase Plan (\$3,738).

<sup>(5)</sup> Represents the amount contributed by the Corporation to M.M. Shaw's defined contribution pension.

	Aggregate Holdings and Value of Canadian Utilities Limited Options and SARs Held on December 31, 2007				Canadian Utilities Limited Options and SARs Exercised during 2007	
	Unexercised Options/SARs at December 31, 2007		Value of Unexercised In-the-Money Options/SARs at December 31, 2007		Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)
	Exercisable (#)	Unexercisable (#)	Exercisable (\$)	Unexercisable (\$)		
<b>Canadian Utilities Limited</b> Class A non-voting						
Options	32,500	19,000	741,650	93,340	Nil	Nil
SARs	31,000	25,000	598,760	203,690	Nil	Nil

Note: Option and SAR figures have been adjusted to reflect the two-for-one stock split by way of stock dividend on September 15, 2005.

**Named Executive Officers (continued)**



**Siegfried W. Kiefer**

Age: 49  
Location: Calgary, AB  
Canada  
Years of Service: 25

Mr. Kiefer is Managing Director, Utilities, responsible for natural gas and electricity transmission and distribution, which includes the Canadian Utilities Limited subsidiary companies of ATCO Gas, ATCO Electric, ATCO Pipelines, Northland Utilities, Yukon Electrical and CU Water. Mr. Kiefer is also Chief Information Officer, named to the role in 1998. Appointed Managing Director in 2004, Mr. Kiefer directed record growth and capital expenditure in 2006 at ATCO Gas, ATCO Electric, and ATCO Pipelines. In 2007, Utilities Group continued to set new records in capital growth, service levels, and safety performance. Significant achievements included ATCO Gas' one millionth customer and the approval of a 240-kilovolt, 226 kilometre transmission line in northwest Alberta.

**Three Year Compensation**

Year	Cash Compensation		Equity		Total Direct Compensation	Pension Service and Compensation Cost	All Other Compensation <sup>(1)</sup>	Total Compensation
	Base Salary <sup>(1)</sup>	Annual Incentive	Stock Option Grant Value <sup>(2)</sup>	SAR Grant Value <sup>(2)</sup>				
2007	418,500	418,500	87,069	87,069	1,011,138	166,056	5,940	1,183,134
2006	391,600	391,600	60,984	30,492	874,676	324,903	3,471	1,203,050
2005	347,100	391,600	Nil	Nil	738,700	162,836	Nil	901,536

<sup>(1)</sup> The amounts shown under base salary and annual incentive were paid by Canadian Utilities Limited and reflect 90% of the Named Executive Officer's total salary and annual incentive paid by ATCO Group in 2007 and 89% in 2006 and 2005. The balance of the salary and annual incentive (10% in 2007, 11% in 2006 and 2005) was paid by ATCO Ltd., the parent corporation.

<sup>(2)</sup> Grant values are determined by utilizing the binomial valuation methodology.

<sup>(3)</sup> Represents the employer contribution to the Employee Share Purchase Plan.

	Aggregate Holdings and Value of Canadian Utilities Limited Options and SARs Held on December 31, 2007				Canadian Utilities Limited Options and SARs Exercised during 2007	
	Unexercised Options/SARs at December 31, 2007		Value of Unexercised In-the-Money Options/SARs at December 31, 2007		Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)
	Exercisable (#)	Unexercisable (#)	Exercisable (\$)	Unexercisable (\$)		
<b>Canadian Utilities Limited</b> Class A non-voting						
Options	24,000	24,000	513,120	63,710	10,000 <sup>(4)</sup>	253,950
SARs	11,000	26,000	188,860	162,700	Nil	Nil

<sup>(4)</sup> Represents the exercise of 10,000 options to acquire Class A non-voting shares of Canadian Utilities Limited.

Note: Option and SAR figures have been adjusted to reflect the two-for-one stock split by way of stock dividend on September 15, 2005.

**Named Executive Officers (continued)**



**Susan R. Werth**

Age: 51  
Location: Calgary, AB  
Canada  
Years of Service: 27

Ms. Werth is Senior Vice President & Chief Administration Officer, responsible for Human Resources, Corporate Secretarial, Marketing and Communications, Security, Real Estate, Aviation and Administration. Appointed to the role in 2000, Ms. Werth was previously the Vice President, Administration, an appointment which occurred in 1995. Her direction and expertise supported Canadian Utilities Limited's continued growth in 2007 by ensuring the efficient and most effective use of resources and assets. Ms. Werth also directed the successful implementation of many new programs in her areas of responsibility, particularly in human resources, where Canadian Utilities Limited is continuing to invest in human resources for the future.

**Three Year Compensation**

Year	Cash Compensation		Equity		Total Direct Compensation	Pension Service and Compensation Cost	All Other Compensation <sup>(3)</sup>	Total Compensation
	Base Salary <sup>(1)</sup>	Annual Incentive	Stock Option Grant Value <sup>(2)</sup>	SAR Grant Value <sup>(2)</sup>				
2007	324,000	324,000	43,534	43,534	735,068	258,792	810	994,670
2006	289,250	302,600	30,492	30,492	652,834	109,110	534	762,478
2005	275,900	320,400	Nil	Nil	596,300	98,786	Nil	695,086

<sup>(1)</sup> The amounts shown under base salary and annual incentive were paid by Canadian Utilities Limited and reflect 90% of the Named Executive Officer's total salary and annual incentive paid by ATCO Group in 2007 and 89% in 2006 and 2005. The balance of the salary and annual incentive (10% in 2007, 11% in 2006 and 2005) was paid by ATCO Ltd., the parent corporation.

<sup>(2)</sup> Grant values are determined by utilizing the binomial valuation methodology.

<sup>(3)</sup> Represents the employer contribution to the Employee Share Purchase Plan.

	Aggregate Holdings and Value of Canadian Utilities Limited Options and SARs Held on December 31, 2007				Canadian Utilities Limited Options and SARs Exercised during 2007	
	Unexercised Options/SARs at December 31, 2007		Value of Unexercised In-the-Money Options/SARs at December 31, 2007		Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)
	Exercisable (#)	Unexercisable (#)	Exercisable (\$)	Unexercisable (\$)		
<b>Canadian Utilities Limited</b> Class A non-voting						
Options	24,200	11,800	542,274	27,756	Nil	Nil
SARs	17,200	13,800	353,394	62,436	Nil	Nil

Note: Option and SAR figures have been adjusted to reflect the two-for-one stock split by way of stock dividend on September 15, 2005.

## Summary Compensation Table

The summary compensation table (page 31) 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, 2007, who had the highest individual aggregate salary and bonuses during 2007 (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

N.C. Southern, K.M. Watson, M.M. Shaw, S.W. Kiefer and S.R. Werth also served in 2007 in similar senior executive positions with ATCO Ltd., the parent of the Corporation. The salary and bonus amounts for these officers of ATCO Ltd. and Canadian Utilities Limited are determined annually on a consolidated basis.

**These officers do not receive separate salaries, bonuses or pensions for serving both corporations. The amounts reported in this circular are the amounts that Canadian Utilities Limited and its subsidiaries paid to these officers for their contribution to these corporations.**

### Formula for Apportionment of Salaries of Named Executive Officers

Canadian Utilities Limited'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 Ltd. that the assets of Canadian Utilities Limited represent;
- The estimated portion of each executive officer's time anticipated to be spent performing services as an executive officer of Canadian Utilities Limited and its subsidiaries; and
- Decisions of the Alberta Utilities Commission.

For 2007, Canadian Utilities Limited paid 90% (89% in 2005 and 2006) of the consolidated salary and bonus amounts.

Summary Compensation Table – Canadian Utilities Limited

Name and Principal Occupation <sup>(1)</sup>	Year Ended Dec 31	Salary <sup>(2)</sup> (\$)	Bonus <sup>(2)</sup> (\$)	Other Annual Compensation <sup>(3)</sup> (\$)	Securities Under Options/SARs Granted <sup>(4) (5)</sup> (#)	All Other Compensation <sup>(6)</sup> (\$)
<b>N.C. Southern</b> President & Chief Executive Officer	2007	900,000 <sup>(2)</sup>	1,080,000 <sup>(2)</sup>	Nil	20,000/20,000	13,500 <sup>(6)</sup>
	2006	890,000 <sup>(2)</sup>	890,000 <sup>(2)</sup>	Nil	50,000/Nil	8,900 <sup>(6)</sup>
	2005	890,000 <sup>(2)</sup>	890,000 <sup>(2)</sup>	Nil	200,000/200,000	Nil
<b>K.M. Watson</b> Senior Vice President & Chief Financial Officer	2007	342,000 <sup>(2)</sup>	342,000 <sup>(2)</sup>	Nil	7,000/7,000	1,620 <sup>(6)</sup>
	2006	293,700 <sup>(2)</sup>	307,050 <sup>(2)</sup>	Nil	5,000/5,000	1,068 <sup>(6)</sup>
	2005	267,000 <sup>(2)</sup>	329,300 <sup>(2)</sup>	Nil	Nil/Nil	Nil
<b>M.M. Shaw</b> Managing Director, Global Enterprises	2007	418,500 <sup>(2)</sup>	418,500 <sup>(2)</sup>	Nil	11,000/11,000	23,670 <sup>(7)</sup>
	2006	391,600 <sup>(2)</sup>	391,600 <sup>(2)</sup>	Nil	5,000/5,000	20,648 <sup>(8)</sup>
	2005	373,800 <sup>(2)</sup>	498,400 <sup>(2)</sup>	Nil	Nil/Nil	16,020 <sup>(9)</sup>
<b>S.W. Kiefer</b> Managing Director, Utilities & Chief Information Officer	2007	418,500 <sup>(2)</sup>	418,500 <sup>(2)</sup>	Nil	14,000/14,000	5,940 <sup>(6)</sup>
	2006	391,600 <sup>(2)</sup>	391,600 <sup>(2)</sup>	Nil	10,000/5,000	3,471 <sup>(6)</sup>
	2005	347,100 <sup>(2)</sup>	391,600 <sup>(2)</sup>	Nil	Nil/Nil	Nil
<b>S.R. Werth</b> Senior Vice President & Chief Administration Officer	2007	324,000 <sup>(2)</sup>	324,000 <sup>(2)</sup>	Nil	7,000/7,000	810 <sup>(6)</sup>
	2006	289,250 <sup>(2)</sup>	302,600 <sup>(2)</sup>	Nil	5,000/5,000	534 <sup>(6)</sup>
	2005	275,900 <sup>(2)</sup>	320,400 <sup>(2)</sup>	Nil	Nil/Nil	Nil

- (1) All Named Executive Officers hold the same offices for both ATCO Ltd. and Canadian Utilities Limited.
- (2) The amounts shown under salary and bonus were paid by Canadian Utilities Limited and reflect 90% of the Named Executive Officers' total salary and bonus in 2007. The balance of the salary and bonus (10%) was paid by ATCO Ltd., the parent corporation. In the prior years shown, ATCO Ltd. paid 11% of the consolidated salary and bonus amounts and Canadian Utilities Limited paid 89% of these amounts.
- (3) The value of perquisites and other personal benefits received by each Named Executive Officer was less than the lesser of \$50,000 and 10% of the total of his or her annual salary and bonus, and therefore is reported as nil in accordance with National Instrument 51-102.
- (4) Figures have been adjusted to reflect the two-for-one stock split by way of stock dividend on September 15, 2005.
- (5) Represents the aggregate number of options and SARs granted by the Corporation.
- (6) Represents the employer contribution to the Employee Share Purchase Plan.
- (7) Represents the amount contributed by the Corporation to M.M. Shaw's defined contribution pension (\$18,000) and the amount of the employer contribution to the Employee Share Purchase Plan (\$5,670).
- (8) Represents the amount contributed by the Corporation to M.M. Shaw's defined contribution pension (\$16,910) and the amount of the employer contribution to the Employee Share Purchase Plan (\$3,738).
- (9) Represents the amount contributed by the Corporation to M.M. Shaw's defined contribution pension.

Amendments to the Stock Option Plan

At the Corporation's annual meeting of shareholders held on May 3, 2007, shareholders approved the following amendments to the stock option plan:

"The Board may, at any time, suspend or terminate the Plan. The Board may also at any time, without shareholder approval, add to or repeal any of the terms of the Plan or any Options and, without limiting the generality of the foregoing, may make the following changes, deletions, revisions or amendments ("amendments"):

- (a) any amendment to the vesting provisions of the Plan or any Option;
- (b) any amendment to the termination provisions of the Plan or any Option, provided that such amendment does not entail an extension beyond the expiry date of the Option as provided for in Sections 9 and 14;

- (c) any amendment to the persons eligible to receive Options or otherwise relating to the eligibility of anyone to receive Options other than an amendment which would have the potential of broadening or increasing insider participation;
- (d) any amendment with respect to the method or manner of exercise of any Option;
- (e) any amendment of a "housekeeping" nature; and
- (f) any other amendment that under the rules of the TSX (or such other stock exchange on which the Shares may be listed) does not require shareholder approval;

provided that no such addition, repeal, or amendment shall in any manner materially adversely affect the rights of any Participant under any Options theretofore granted under the Plan without such Participant's consent.

This Section 21 is intended to provide the Board with the broadest scope of amendment powers permitted by the rules of the TSX (or such other stock exchange on which the Shares may be listed), as such rules may be amended from time to time;" and

"Notwithstanding Section 9, if the Option Period of an Option expires during or within ten (10) business days after a blackout period imposed by the Corporation under the ATCO Group Insider Trading Policy ("Blackout Period"), then the Option Period of such Option shall be extended to the date which is ten (10) business days after the last day of the Blackout Period, after which time such Option shall expire and terminate."

On February 20, 2008, the Board approved an amendment to the stock option plan whereby effective August 1, 2008, non-employee directors will no longer be eligible to receive grants of options under the plan. Any grants made to non-employee directors prior to August 1, 2008 were grandfathered.

#### Equity Compensation Plan Information

<b>Plan Category</b>	<b>Number of Class A Non-Voting Shares to be Issued Upon Exercise of Outstanding Options</b>	<b>Weighted Average Exercise Price of Outstanding Options</b>	<b>Number of Class A Non-Voting Shares Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Outstanding Options)</b>	<b>Total Number of Outstanding Class A Non-Voting Shares</b>	<b>Class A Non-Voting Shares to be Issued Upon Exercise of Options as a % of Total Number of Outstanding Class A Non-Voting Shares</b>	<b>Class A Non-Voting Shares Remaining Available for Future Issuance as a % of Total Number of Outstanding Class A Non-Voting Shares</b>
Equity compensation plans approved by shareholders						
At December 31, 2007 Canadian Utilities Limited	1,304,200	\$28.02	3,122,200	81,508,986	1.6%	3.8%
At March 3, 2008 Canadian Utilities Limited	1,304,200	\$28.02	3,122,200	81,555,386	1.6%	3.8%

## Option/SAR Grants During 2007

The following table sets out the individual grants of options to purchase or acquire securities of the Corporation or any of its subsidiaries and share appreciation rights made during 2007 to the Named Executive Officers.

Name	Securities Under Options/SARs Granted <sup>(1)</sup> (#)	% of Total Options/SARs Granted to Employees in 2007 (%)	Exercise Price (\$/Security)	Market Value of Securities Underlying Options/SARs on the Date of Grant (\$/Security)	Expiration Date
N.C. Southern	20,000/20,000	12/12	47.84	47.84	January 2, 2017
K.M. Watson	7,000/7,000	4/4	47.84	47.84	January 2, 2017
M.M. Shaw	11,000/11,000	7/7	47.84	47.84	January 2, 2017
S.W. Kiefer	14,000/14,000	9/9	47.84	47.84	January 2, 2017
S.R. Werth	7,000/7,000	4/4	47.84	47.84	January 2, 2017

<sup>(1)</sup> Stock options and share appreciation rights based on Class A non-voting shares of the Corporation which vest as to 20% annually on each of the first five anniversaries of the date of grant.

## Aggregated Option/SAR Exercises During 2007 and Year-End Option/SAR Values

The following table sets out information regarding the exercise of options and share appreciation rights during 2007 by each of the Named Executive Officers and the financial year-end value of unexercised options and share appreciation rights on an aggregate basis.

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options/SARs at December 31, 2007 <sup>(1)</sup>		Value of Unexercised In-the-Money Options/SARs at December 31, 2007 <sup>(1)</sup>	
			Exercisable (#)	Unexercisable (#)	Exercisable (\$)	Unexercisable (\$)
N.C. Southern	Nil	Nil	218,000 <sup>(2)</sup> 52,000 <sup>(3)</sup>	184,000 <sup>(2)</sup> 158,000 <sup>(3)</sup>	4,394,820 <sup>(2)</sup> 873,210 <sup>(3)</sup>	2,134,180 <sup>(2)</sup> 2,269,650 <sup>(3)</sup>
K.M. Watson	Nil	Nil	14,400 <sup>(2)</sup> 7,200 <sup>(3)</sup>	11,800 <sup>(2)</sup> 13,800 <sup>(3)</sup>	325,416 <sup>(2)</sup> 120,444 <sup>(3)</sup>	27,756 <sup>(2)</sup> 62,436 <sup>(3)</sup>
M.M. Shaw	Nil	Nil	32,500 <sup>(2)</sup> 31,000 <sup>(3)</sup>	19,000 <sup>(2)</sup> 25,000 <sup>(3)</sup>	741,650 <sup>(2)</sup> 598,760 <sup>(3)</sup>	93,340 <sup>(2)</sup> 203,690 <sup>(3)</sup>
S.W. Kiefer	10,000 <sup>(4)</sup>	253,710	24,000 <sup>(2)</sup> 11,000 <sup>(3)</sup>	24,000 <sup>(2)</sup> 26,000 <sup>(3)</sup>	513,120 <sup>(2)</sup> 188,860 <sup>(3)</sup>	63,710 <sup>(2)</sup> 162,700 <sup>(3)</sup>
S.R. Werth	Nil	Nil	24,200 <sup>(2)</sup> 17,200 <sup>(3)</sup>	11,800 <sup>(2)</sup> 13,800 <sup>(3)</sup>	542,274 <sup>(2)</sup> 353,394 <sup>(3)</sup>	27,756 <sup>(2)</sup> 62,436 <sup>(3)</sup>

<sup>(1)</sup> Figures have been adjusted to reflect the two-for-one stock split by way of stock dividend paid on September 15, 2005.

<sup>(2)</sup> Options to acquire Class A non-voting shares of the Corporation.

<sup>(3)</sup> Share appreciation rights based on Class A non-voting shares of the Corporation.

<sup>(4)</sup> Represents the exercise of 10,000 options to acquire Class A non-voting shares of the Corporation.

## Pension Benefits

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 (\$41,460 in 2007) and 2.0% of additional average salary. Average salary is the average of the highest five consecutive years of base salary, excluding bonuses. Early retirement reductions apply upon retirement prior to the earlier of age 62 or age and service totalling 90 years. 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 provides an employer-paid contribution of 10% 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, K.M. Watson, S.W. Kiefer and S.R. Werth participate in the DB component; M.M. Shaw participates in the DC component. M.M. Shaw participated in the DB component prior to January 1, 1998, and also has DB entitlements for prior service in the Retirement Plan for Salaried Employees of ATCO Structures Inc. and Participating Companies (the "ASI Plan"; collectively with the CU Plan, the "Plans"). The benefits provided by the DB components of both Plans are substantially the same.

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 the Named Executive Officers upon retirement are provided by Canadian Utilities Limited (or ATCO Structures Inc. in respect of ASI Plan benefits) under an unfunded supplemental arrangement. Supplemental benefit provisions specific to N.C. Southern are discussed on page 40. 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 prior to age 55, or upon death prior to retirement. 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.

### Pension Plan Table

The following table sets forth the annual pension payable to K.M. Watson, S.W. Kiefer, S.R. Werth and M.M. Shaw at normal retirement age 65, inclusive of all registered pension plans and supplemental arrangements (all amounts in \$).

Average Salary	Years of Service				
	15	20	25	30	35
200,000	56,300	75,000	93,800	112,500	131,300
300,000	86,300	115,000	143,800	172,500	201,300
400,000	116,300	155,000	193,800	232,500	271,300
500,000	146,300	195,000	243,800	292,500	341,300
600,000	176,300	235,000	293,800	352,500	411,300
700,000	206,300	275,000	343,800	412,500	481,300
800,000	236,300	315,000	393,800	472,500	551,300

Note: For purposes of this table, the DC retirement pension under the CU Plan is assumed to be equal to the DB retirement pension payable for the same service. The actual DC retirement pension will be equal to the pension that can be purchased with the member's DC account balance upon retirement.

Years of Credited Service under the Plans as at December 31, 2007

<b>Named Executive Officer</b>	<b>Credited Service<sup>(1)</sup></b>
N.C. Southern	12.00
K.M. Watson	29.75
M.M. Shaw	21.00
S.W. Kiefer	24.00
S.R. Werth	26.67

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

**2007 Pension Expense Related to Service and Compensation**

Amounts reported in the table below represent the pension expense related to 2007 service for each of the Named Executive Officers and the impact of differences between actual compensation paid in 2007 and the actuarial assumptions used for the year.

<b>Named Executive Officer</b>	<b>2007 Pension Expense Related to Service and Compensation (\$)</b>
N.C. Southern	832,665
K.M. Watson	396,139
M.M. Shaw	127,821 <sup>(1)</sup>
S.W. Kiefer	166,056
S.R. Werth	258,792

<sup>(1)</sup> Excludes Canadian Utilities Limited's 2007 contribution of \$18,000 to the DC portion of the CU Plan, which is included in the summary compensation table.

**2007 Changes in Accrued Pension Liabilities**

The accrued pension liability is calculated following the method prescribed by the Canadian Institute of Chartered Accountants and is based on management's best estimate of future events that affect the cost of pensions, including assumptions about future salary adjustments. The supplementary plans had unfunded accrued benefit obligations in respect of current and former executives of \$84.0 million as of December 31, 2007 (2006 - \$84.2 million). Changes in the accrued pension liabilities for the Named Executive Officers are summarized in the following table. These changes include the 2007 increase in expense attributed to service and compensation as reported in the previous table as well as the normal increases to pension liabilities arising from the annual valuation of the Plans, including the supplementary plans. The normal increases include interest on the beginning of year obligations and changes in interest rate or other assumptions as a result of changes in long term bond yields or other economic or demographic factors. Further information on the methods and assumptions used to calculate accrued obligations may be found in Note 20, Employee Future Benefits, of the notes to the Corporation's 2007 financial statements.

Name	Years of Service		Annual Benefit Payable at 65 <sup>(1)</sup> (\$)	Accrued Obligation at Dec 31, 2006 (\$)	2007 Service and Compensation Cost <sup>(2)</sup> (\$)	Other Change in Obligation in 2007 (\$)	Accrued Obligation at Dec 31, 2007 (\$)
	Dec 31, 2007	Age 65					
N.C. Southern	12.00	25.67	1,026,900	6,152,604	832,665	(319,171)	6,666,098
K.M. Watson	29.75	38.67	175,599	2,787,461	396,139	(25,010)	3,158,590
M.M. Shaw	21.00	32.50	211,262	2,100,710	127,821 <sup>(3)</sup>	(38,587)	2,189,944
S.W. Kiefer	24.00	39.83	237,234	3,031,979	166,056	(115,874)	3,082,161
S.R. Werth	26.67	40.33	188,724	2,546,980	258,792	(66,275)	2,739,497

<sup>(1)</sup> The annual benefit payable is based on average pensionable earnings at December 31, 2007, and projected service at age 65 to a maximum of 35 years. M.M. Shaw's DC retirement pension from the CU Plan is assumed to be equal to the DB retirement pension he would be entitled to for the same service.

<sup>(2)</sup> Pension expense related to 2007 service plus the impact of the differences between actual compensation paid in 2007 and the actuarial assumptions used for the year.

<sup>(3)</sup> Excludes Canadian Utilities Limited's 2007 contribution of \$18,000 to the DC portion of the CU Plan, which is included in the summary compensation table.

### Compensation of the Chief Executive Officer

The total direct compensation elements for the President & Chief Executive Officer are the same as for the other executives. At its fall session GOCOM meets in camera to assess the performance of the President & Chief Executive Officer in conjunction with the performance objectives of the Corporation.

### Overview of Performance

In 2007, the Corporation achieved record financial milestones; earnings, assets and total shareholder equity all rose substantially. Amidst the year's record performance were a number of significant achievements realized throughout the enterprise.

ATCO Frontec was awarded and implemented five support contracts for NATO to provide airport disembarkation operations, utilities and logistics support services, pest control, and infrastructure maintenance.

ATCO Gas, ATCO Electric, and ATCO Pipelines continued their robust infrastructure investment throughout the province of Alberta. The investment by the Utilities for 2007 was \$589 million, with the total investment for the Utilities over the past 36 months being \$1.57 billion. The Utilities rate base has grown from approximately \$2.9 billion in 2004 to \$3.7 billion in 2007.

ATCO Gas recognized the addition of its one millionth distribution customer, and ATCO Electric began construction on the 226-kilometre Brintnell-Wesley Creek 240-kilovolt transmission line.

ATCO Midstream completed a new joint venture acquisition with Bayhurst Energy Services Corporation, a subsidiary of SaskEnergy Incorporated, for the 2.5 million cubic feet Grimes Energy gas processing plant near Kisbey, Saskatchewan.

ATCO I-Tek received Service Quality Measurement Group Inc.'s energy industry "Highest Customer Satisfaction" award for the second consecutive year, and also a Merit Award for a greater-than-eight per cent improvement in First Call Resolution; a service attribute that is rated near the top for importance by customers.

ATCO Power began construction of a second 45 megawatt gas "peaker" at the Valleyview Generating Station in northern Alberta.

Standard & Poor's announced in October that, due to the diversity of subsidiary operations, conservative financial policies, and stable and predictable earnings, it had increased the credit rating on Canadian Utilities Limited's long-term debt from A- to A.

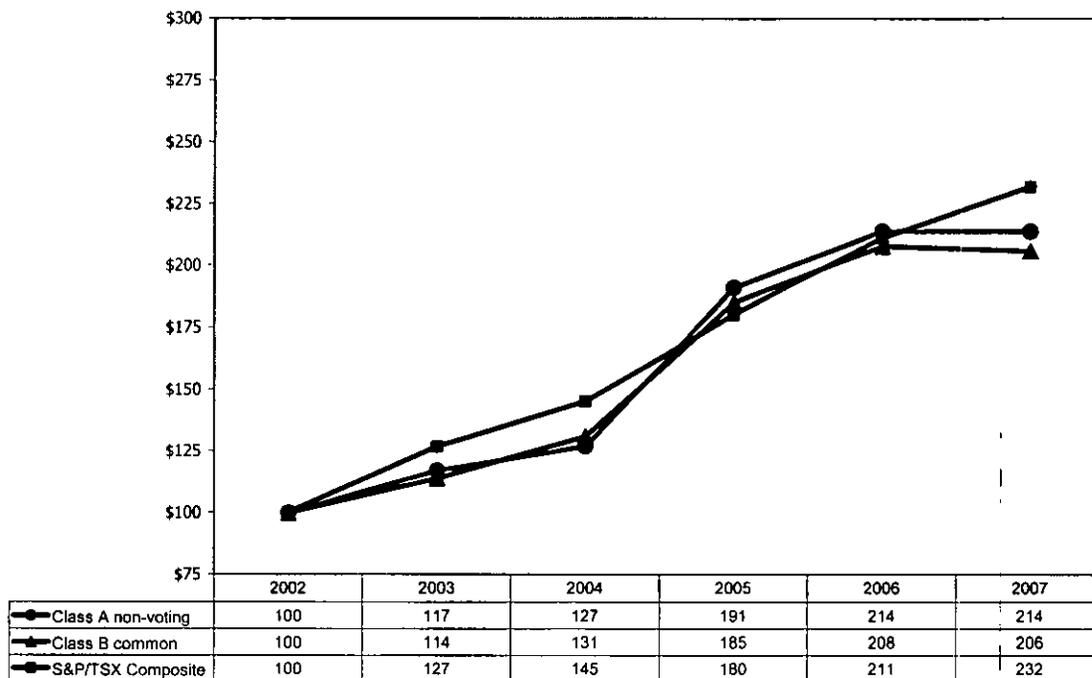
On a corporate-wide basis, significant action was taken to enhance and support human resource expertise. During 2007, 1,343 people were recruited across the group of companies to mitigate the ongoing retirement demographics in the organization as well as to support the significant growth.

The Corporation also achieved third party recognition for its premier safety record in ATCO Power, ATCO Pipelines, ATCO Midstream and ATCO Frontec. Of particular note is the ongoing outstanding performance achieved at the Sheerness generating station which at the close of 2007 had 2,700 days without a lost-time injury.

### Performance Charts

The graph below compares the five-year cumulative return on the Class A non-voting shares and Class B common shares of the Corporation (assuming reinvestment of dividends) with the cumulative total return of the S&P/TSX Composite Index.

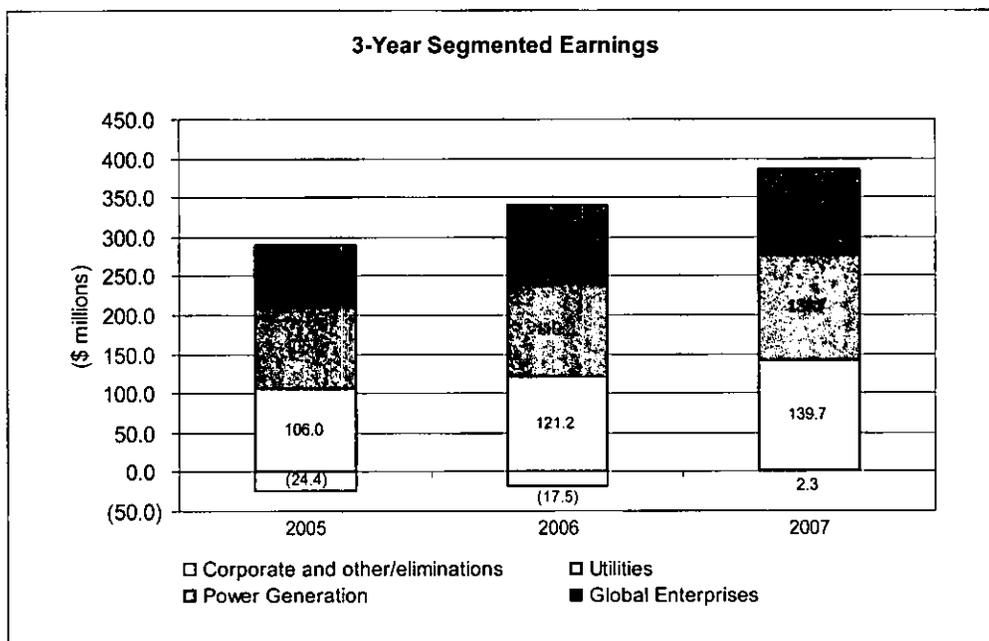
**Five Year Total Return on \$100 Investment**



**Notes:**

1. Figures have been adjusted to reflect the two-for-one stock split by way of stock dividend on September 15, 2005.
2. 2006 figures include a special dividend of 25 cents per share paid on September 1, 2006.

The following chart provides segmented earnings for Canadian Utilities Limited's business groups for the past three years:



### Performance Measures

The following table provides a summary of the performance objectives that are set for the Corporation and the performance outcome against each target.

Corporate Objective	Target Set	Performance Outcome
<b>Consolidated Financial</b>	Net earnings for the Corporation.	Record earnings of \$386.7 million (\$3.08 per share) for the year ended December 31, 2007.
<b>Operational Excellence</b>	<p>Service Quality:</p> <ul style="list-style-type: none"> <li>• Service levels</li> <li>• Reliability</li> <li>• Availability of plant</li> <li>• Customer satisfaction</li> </ul>	<p>Canadian Utilities' companies utilize:</p> <ul style="list-style-type: none"> <li>• Customer satisfaction surveys.</li> <li>• Reliability through service monitoring.</li> <li>• Customer service level monitoring.</li> <li>• Key performance indicators that relate to the industry and business of the subsidiary company.</li> </ul> <p>In 2007:</p> <ul style="list-style-type: none"> <li>• ATCO I-Tek was named as best call centre in the North American energy sector for the second consecutive year.</li> <li>• ATCO I-Tek also received a Merit Award for a greater-than-eight per cent improvement in First Call Resolution.</li> <li>• ATCO Gas recognized its one millionth distribution customer addition and completed 625,016 jobs at 599,242 service calls.</li> <li>• ATCO Electric's community consultation set the groundwork for the 240-kV Brintnell-Wesley Creek transmission line, resulting in a transmission route that minimized the impact on communities, landowners, and the environment.</li> <li>• ATCO Pipelines began construction of a new building in east Edmonton that will accommodate more than 175 people to better serve customer needs.</li> </ul>

<b>Corporate Objective</b> (Continued)	<b>Target set</b> (Continued)	<b>Performance Outcome</b> (Continued)
<b>Operational Excellence</b> (continued)	<b>Management Controls:</b> <ul style="list-style-type: none"> <li>• Independent spend (purchases originating outside of the purchasing department)</li> <li>• Financial controls reporting (no significant or reportable weaknesses in controls over financial reporting)</li> </ul>	<ul style="list-style-type: none"> <li>• Canadian Utilities' subsidiaries improved performance on financial controls and managing independent spend.</li> <li>• There was a significant decrease in the number of "independent invoices" paid by subsidiaries of Canadian Utilities.</li> <li>• Testing conducted revealed no significant or reportable weaknesses in controls over financial reporting.</li> </ul>
	<b>Health and Safety of Employees and Contractors:</b> <ul style="list-style-type: none"> <li>• Continuous improvement</li> <li>• Performance against targets of excellence</li> </ul>	<ul style="list-style-type: none"> <li>• A record four Canadian Utilities' companies (ATCO Power, ATCO Pipelines, ATCO Midstream and ATCO Frontec) were honoured as "Best Safety Performers" by Alberta's Occupational Health and Safety Council.</li> <li>• ATCO Power's Sheerness Generating Station celebrated seven years, approximately 2.4 million work hours, with no lost-time accidents.</li> <li>• ATCO Gas was recognized in 2007 by the Canadian Gas Association for its best practices in pipeline damage prevention. The company achieved the lowest number of third-party damages per 1,000 locates.</li> <li>• ATCO Midstream was awarded the "Best Safety Performer in Alberta" for the third year running and 93% on the Certificate of Record.</li> </ul>
	<b>Environmental Stewardship:</b> <ul style="list-style-type: none"> <li>• Ensuring that Canadian Utilities companies are complying with legislation and regulations</li> <li>• No major events</li> </ul>	<ul style="list-style-type: none"> <li>• Continued to excel in environmental performance and invest in R&amp;D on key environmental issues.</li> <li>• ATCO Power continues to be an active contributor in the development of frameworks and government regulations to manage environmental initiatives. The company registered baseline emissions for its affected Alberta operations under new Alberta legislation and will submit compliance reports by March 31, 2008.</li> <li>• Remediation on 74 of 77 former isolated generating sites was completed by ATCO Electric in 2007. Work continues at three sites in 2008.</li> <li>• ATCO Gas operates a fleet of more than 1,000 vehicles; in 2007, nearly 400 were fueled by natural gas.</li> <li>• ATCO Pipelines was recognized as a Gold Champion Level Reporter by the Canadian Greenhouse Gas Challenge Registry for its greenhouse gas action plan.</li> </ul>
<b>People Leadership</b>	<b>Succession Management:</b> <ul style="list-style-type: none"> <li>• Ensuring that executive positions have identified successors</li> </ul>	<ul style="list-style-type: none"> <li>• Executives are developed internally through ensuring internal candidates are prepared and ready for increasingly responsible roles.</li> <li>• In 2007 there were 5 appointments made to executive roles, all from internal candidates.</li> <li>• N.C. Southern held quarterly human resource summits to review the quarterly performance of all executives and high-potential employees to ensure that all companies are providing development for their high-potential employees.</li> </ul>
	<b>Attraction and Retention:</b> <ul style="list-style-type: none"> <li>• Ensuring that key talent is recruited and retained in an exceptionally competitive environment for talent</li> </ul>	<ul style="list-style-type: none"> <li>• In 2007 Canadian Utilities hired 1,343 employees.</li> <li>• Managed total employee turnover, excluding retirements, internal transfers, and involuntary terminations, to 9%.</li> </ul>

<b>Corporate Objective</b> (Continued)	<b>Target set</b> (Continued)	<b>Performance Outcome</b> (Continued)
<b>Long-Term Sustainable Growth</b>	<p>The long-term growth strategies of the subsidiaries:</p> <ul style="list-style-type: none"> <li>• Capital expansion</li> <li>• Market penetration</li> <li>• Overall market positioning</li> </ul> <p>N.C. Southern is responsible for the oversight and integration of all long-term business plans of the subsidiaries and balancing the resources of the Corporation to deliver the best outcome.</p>	<p>In 2007:</p> <ul style="list-style-type: none"> <li>• The Utilities division achieved unprecedented infrastructure investment in Alberta utilities with \$589 million invested in 2007.</li> <li>• Enhanced strategic positioning with aboriginal partners in Canada's north.</li> <li>• ATCO Power made major progress in growth areas for power generation, including Phase I development of long-term green power projects.</li> </ul>

### **Long-Term Incentives**

The long-term incentive rewards to the President & Chief Executive Officer are based on her ability to achieve sustainable profitable growth for shareholders of the Corporation. Information on the base salary and short and long-term incentive award decisions for Ms. Southern and the other Named Executive Officers made by GOCOM can be found in the Summary Compensation Table on page 31.

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

#### Term of Agreement

The Corporation has an employment agreement with N.C. Southern extending to February 1, 2009, and continuing from year to year thereafter. The amount of salary and the value of benefits paid in 2007 under this agreement have been included in the table on page 25 and in the Summary Compensation Table on page 31.

#### Termination of Agreement

Employment of the executive officer 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 the executive officer on 90 days notice. There are no other termination provisions for N.C. Southern. The agreement does not include change of control provisions. There are no employment agreements for any other executives of the Corporation.

#### Pension

Pursuant to her employment agreement with the Corporation, N.C. Southern is eligible upon retirement at age 55 or later to receive a pension of 70% 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 pension payable to N.C. Southern under her employment agreement is inclusive of the pension payable under the CU Plan. The pension is payable on the same terms as the CU Plan pension in respect of post-retirement survivor benefits and ad hoc indexing.

#### Disability and Life Insurance

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

## **SECTION 4      OTHER INFORMATION**

### **CORPORATE GOVERNANCE**

The Board of the Corporation views effective corporate governance as an essential element for the ongoing well-being of the Corporation and its shareholders. The Corporation strives to ensure that its corporate governance practices provide for effective stewardship of the Corporation and evaluates its practices on an ongoing basis. The corporate governance disclosure for the Corporation is attached to this management proxy circular as Schedule A.

### **ADDITIONAL INFORMATION**

As a significant shareholder, R.D. Southern is closely identified with the Corporation by industry participants, the investment community and the Corporation's shareholders. The Corporation's business approach, strategies, practices and culture have developed and evolved under Mr. Southern's leadership.

Additional information relating to the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com). Information regarding the business of the Corporation is provided in the Corporation's annual information form dated February 19, 2008. Financial information is provided in the Corporation's comparative consolidated financial statements and the management's discussion and analysis for the year ended December 31, 2007. Copies of these documents, the Corporation's interim financial statements and additional copies of this management proxy circular may be obtained upon request from the Corporate Secretary of the Corporation at 1400 ATCO Centre, 909 - 11th Avenue S.W., Calgary, Alberta, T2R 1N6.

Corporate information, including our privacy commitment, is also available on the Corporation's website: [www.canadian-utilities.com](http://www.canadian-utilities.com).

### **Directors' Approval**

The Board of the Corporation has approved the contents and the sending of this management proxy circular.

### **General**

December 3, 2008, is the final date by which an eligible shareholder must submit to the Corporation a proposal that is to be included in the management proxy circular for any matter at the next annual meeting of shareholders.

DATED at Calgary, Alberta, this 3<sup>rd</sup> day of March, 2008.



P. Spruin  
Corporate Secretary

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<b>SCHEDULE A CORPORATE GOVERNANCE DISCLOSURE UNDER NATIONAL INSTRUMENT 58-101</b>
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**Disclosure Requirement**

**CU Corporate Governance Practices**

**1. Board of Directors**

- |  |  |
|--|--|
| <p>(a) Disclose the identity of directors who are independent.</p>   | <p>The following directors are independent as that term is defined in section 1.4 of Multilateral Instrument 52-110 <i>Audit Committees</i>:</p> <p>L.M. Charlton<br/>         B.P. Drummond<br/>         B.K. French<br/>         H.M. Neldner<br/>         M.R.P. Rayfield<br/>         J.W. Simpson<br/>         R.J. Urwin<br/>         C.W. Wilson</p>  |
| <p>(b) Disclose the identity of directors who are not independent, and describe the basis for that determination.</p>  | <p>N.C. Southern, R.D. Southern, W.L. Britton, L.A. Heathcott and R.T. Booth are not independent because they are considered to have a material relationship with the issuer.</p> <p>N.C. Southern is the President &amp; Chief Executive Officer of the Corporation.</p> <p>R.D. Southern is the Chairman of the Board.</p> <p>W.L. Britton is the Vice Chairman of the Board.</p> <p>L.A. Heathcott is an immediate family member of the Chairman.</p> <p>R.T. Booth is a partner in the firm that is the Corporation's legal counsel.</p> |
| <p>(c) Disclose whether or not a majority of directors is independent. If a majority of directors is not independent, describe what the board of directors does to facilitate its exercise of independent judgment in carrying out its responsibilities.</p> | <p>A majority of the directors of the Corporation are independent.</p>   |
| <p>(d) If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.</p>  | <p>The following directors are also directors of the issuers set out beneath their respective names below:</p>   |

**W.L. Britton**

- AKITA Drilling Ltd. (TSX), member of the Corporate Governance - Nomination, Compensation and Succession Committee
- ATCO Ltd. (TSX), Chair of the Crisis Management Committee and Deputy Chair of the Corporate Governance - Nomination, Compensation and Succession Committee
- CU Inc. (TSX)
- Forest Oil Corporation (NYSE), member of the Nominating & Corporate Governance Committee

**L.M. Charlton**

- AKITA Drilling Ltd. (TSX), member of the Audit Committee

**B.P. Drummond**

- ATCO Ltd. (TSX), member of the Audit, Risk Review, and Corporate Governance - Nomination, Compensation and Succession Committees

**B.K. French**

- ATCO Ltd. (TSX), member of the Audit, Crisis Management, Risk Review, and Corporate Governance - Nomination, Compensation and Succession Committees
- CU Inc. (TSX), Chair of the Audit Committee

**L.A. Heathcott**

- AKITA Drilling Ltd. (TSX), Chairman of the Board and a member of the Pension Committee

**H.M. Neldner**

- ATCO Ltd. (TSX), Chair of the Risk Review and Corporate Governance - Nomination, Compensation and Succession Committees and member of the Audit Committee
- CU Inc. (TSX), member of the Audit Committee

**J.W. Simpson**

- Petro-Canada (TSX, NYSE), member of the Audit, Finance, and Risk Committee and the Management Resources and Compensation Committee

**Disclosure Requirement****CU Corporate Governance Practices****N.C. Southern**

- AKITA Drilling Ltd. (TSX)
- ATCO Ltd. (TSX)
- CU Inc. (TSX)
- Bank of Montreal (TSX, NYSE), member of the Risk Review Committee and The Pension Fund Society

**R.D. Southern**

- AKITA Drilling Ltd. (TSX), Deputy Chairman of the Board
- ATCO Ltd. (TSX), Chairman of the Board
- CU Inc. (TSX), Chairman of the Board

**R.J. Urwin**

- Utilico Limited (LSE), member of the Audit and Remuneration Committees

**C.W. Wilson**

- AKITA Drilling Ltd. (TSX), member of the Corporate Governance - Nomination, Compensation and Succession Committee
- ATCO Ltd. (TSX), Chair of the Audit Committee and member of the Risk Review and Corporate Governance - Nomination, Compensation and Succession Committees
- Big Rock Brewery Income Trust (TSX), member of the Corporate Governance Committee
- Talisman Energy Inc. (TSX, NYSE), member of the Audit, Executive, and Reserves Committees

(e) Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the board does to facilitate open and candid discussion among its independent directors.

At each of the regularly scheduled board meetings, in camera sessions are held at which non-independent directors and members of management are not present. The in camera meetings are chaired by the Lead Director. Additional in camera meetings can be requested through the Lead Director at any time.

In addition, in camera sessions are held at each of the five regularly scheduled meetings of the Audit Committee, the four regularly scheduled meetings of the Corporation's Corporate Governance - Nomination, Compensation and Succession Committee ("GOCOM") and at least annually by the Pension Fund Committee.

## Disclosure Requirement

## CU Corporate Governance Practices

- (f) Disclose whether or not the chair of the board is an independent director. If the board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the board has neither a chair that is independent nor a lead director that is independent, describe what the board does to provide leadership for its independent directors.
- (g) Disclose the attendance record of each director for all board meetings held since the beginning of the issuer's most recently completed financial year.

R.D. Southern, the Chairman of the Board, is not an independent director. The Corporation's Lead Director, J.W. Simpson, is independent.

The primary function of the Lead Director is to provide independent leadership to ensure the Board of Directors (the "Board") functions independently of management of the Corporation. The position description for the Lead Director is available on the Corporation's website at [www.canadian-utilities.com](http://www.canadian-utilities.com).

The attendance record of each director at Board, committee and other relevant meetings is disclosed on pages 3 through 9.

### 2. Board Mandate

Disclose the text of the board's written mandate. If the board does not have a written mandate, describe how the board delineates its role and responsibilities.

The mandate of the Board is attached as Schedule B and is also available on the Corporation's website at [www.canadian-utilities.com](http://www.canadian-utilities.com).

GOCOM is responsible for reviewing the mandates of the Board and its committees on an annual basis and recommending to the Board such amendments to those mandates as GOCOM believes are necessary or desirable.

### 3. Position Descriptions

- (a) Disclose whether or not the board has developed written position descriptions for the chair and the chair of each board committee. If the board has not developed written position descriptions for the chair and/or the chair of each board committee, briefly describe how the board delineates the role and responsibilities of each such position.
- (b) Disclose whether or not the board and CEO have developed a written position description for the CEO. If the board and CEO have not developed such a position description, briefly describe how the board delineates the role and responsibilities of the CEO.

The Board has approved written position descriptions for the Chairman of the Board and the chair of each Board committee. The position descriptions are reviewed annually by GOCOM. Copies of these descriptions are available on the Corporation's website at [www.canadian-utilities.com](http://www.canadian-utilities.com).

The Board has approved a written position description for the CEO. The position description is reviewed annually by GOCOM and is available on the Corporation's website at [www.canadian-utilities.com](http://www.canadian-utilities.com).

**4. Orientation and Continuing Education**

- (a) Briefly describe what measures the board takes to orient new directors regarding:
- (i) the role of the board, its committees and its directors, and
  - (ii) the nature and operation of the issuer's business.

New directors attend a briefing with the Chairman of the Board and attend comprehensive meetings at which they receive briefings on all aspects of the nature and operation of the Corporation's business by senior management of the Corporation and its subsidiaries. New directors are also provided with a manual which contains information about each of the business groups, organization structure, by-laws, Board and committee mandates and corporate policies, including the Corporation's Code of Ethics and Disclosure Policy.

- (b) Briefly describe what measures, if any, the board takes to provide continuing education for its directors. If the board does not provide continuing education, describe how the board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.

Directors, together with senior management, attend an annual four to five-day strategy conference which has been held consecutively since 1981. At these sessions, the Board receives detailed briefings on the business activities of the Corporation and its subsidiaries as well as other pertinent information required for directors to fulfill their obligations. Visits to various operating sites are also arranged for directors.

In addition, directors attend and participate in seminars and other continuing education programs. L.M. Charlton obtained her certification from the Director's Education Program at the Institute of Corporate Directors.

Outside experts are brought in as required to provide directors with ongoing education on general and/or specific subject matters. During 2007, the Managing Director of the Canadian Coalition for Good Governance made a presentation to directors on the topic of governance.

The Corporation's business group boards provide continuing education for current directors and serve as a "training ground" for potential future directors of the Corporation.

**5. Ethical Business Conduct**

- (a) Disclose whether or not the board has adopted a written code for the directors, officers and employees. If the board has adopted a written code:

The Board has adopted a written Code of Ethics (the "Code"), which is subject to periodic review and revision to ensure it is in line with best practices.

## Disclosure Requirement

## CU Corporate Governance Practices

- 
- |  |  |
|--|--|
| (i) disclose how a person or company may obtain a copy of the code;  | A copy of the Code may be obtained upon request from the Corporate Secretary of the Corporation at 1400 ATCO Centre, 909 – 11th Avenue S.W., Calgary, Alberta, T2R 1N6. The Code is also available on the Corporation's website at <a href="http://www.canadian-utilities.com">www.canadian-utilities.com</a> and on the SEDAR website at <a href="http://www.sedar.com">www.sedar.com</a> .   |
| (ii) describe how the board monitors compliance with its code, or if the board does not monitor compliance, explain whether and how the board satisfies itself regarding compliance with its code; and   | A copy of the Code has been provided to each director, officer and employee of the Corporation and each such person is required to acknowledge annually that he or she has read the Code and disclosed any transactions or matters of potential conflict. Similarly, copies of the Code will be provided to each new director, officer and employee of the Corporation, and each such person shall acknowledge that he or she has read the Code before commencing activities as a director, officer or employee, as the case may be. |
| (iii) provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code. | No material change reports have been filed by the Corporation since January 1, 2007, relating to a director's or executive officer's departure from the Code. Further, no waivers of the Code have ever been granted to any director, officer or other employee of the Corporation.  |
| (b) Describe any steps the board takes to ensure directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive officer has a material interest.   | Directors who have, or may be reasonably perceived to have, a personal interest in a transaction or agreement being contemplated by the Corporation are required to declare such interest at any directors' meeting where the matter is being considered and are requested to leave the meeting during discussion on such matter and abstain from voting.  |
| (c) Describe any other steps the board takes to encourage and promote a culture of ethical business conduct.   | The Board encourages and promotes a culture of ethical business conduct by expecting each director, all officers and management to act in a manner that exemplifies ethical business conduct. This expectation sets the tone for all employees of the Corporation. The Corporation strives to ensure that prospective employees are of good character.   |

## 6. Nomination of Directors

- |   |   |
|---|---|
| (a) Describe the process by which the board identifies new candidates for board nomination. | GOCOM is responsible for, among other things, identifying and recommending potential candidates for nomination to the Board. The identification of potential Board members is undertaken with a view to ensuring overall diversity of experience, |
|---|---|

## Disclosure Requirement

## CU Corporate Governance Practices

- (b) Disclose whether or not the board has a nominating committee composed entirely of independent directors. If the board does not have a nominating committee composed entirely of independent directors, describe what steps the board takes to encourage an objective nomination process.
- (c) If the board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.

backgrounds, skills and geographic representation of Board members. GOCOM receives advice from the Board respecting individuals best suited to serve as directors, and maintains its own standing list of appropriate candidates for directorships.

One of the four members of GOCOM is not independent. GOCOM conducts its business on the basis of majority approval which encourages an objective nomination process. Should a conflict be identified, the non-independent member would excuse himself from the meeting and abstain from voting.

GOCOM is responsible for reviewing the size and composition of the Board from time to time and considering persons as nominees for directors for the approval of the Board and election by the shareholders. The responsibilities of GOCOM can be found in its mandate which is available on the Corporation's website at [www.canadian-utilities.com](http://www.canadian-utilities.com).

## 7. Compensation

- (a) Describe the process by which the board determines the compensation for the issuer's directors and officers.
- (b) Disclose whether or not the board has a compensation committee composed entirely of independent directors. If the board does not have a compensation committee composed entirely of independent directors, describe what steps the board takes to ensure an objective process for determining such compensation.

GOCOM is responsible for assessing the compensation of directors and officers and making recommendations to the Board. GOCOM reviews director compensation from time to time to determine whether such compensation is appropriate for the responsibilities, time commitment and risks assumed by the directors. GOCOM reviews officer compensation annually against information from other corporations and published data, and from time to time retains independent compensation consultants to undertake market comparisons and provide advice on developing appropriate compensation programs.

Please refer to pages 20 to 40 of the management proxy circular for details of the executive compensation structure and policies.

One of the four members of GOCOM is not independent. GOCOM conducts its business on the basis of majority approval which encourages an objective process for determining compensation. Should a conflict be identified, the non-independent member would excuse himself from the meeting and abstain from voting.

## Disclosure Requirement

## CU Corporate Governance Practices

- (c) If the board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.

GOCOM annually reviews and determines executive compensation packages for the senior officers of the Corporation and its wholly-owned subsidiaries, including salary, short-term incentives, stock options or awards, share appreciation rights and other incentives. The performance and development profile for each high-potential employee and officer is reviewed by GOCOM in conjunction with the Corporation's succession planning process. GOCOM also reviews and recommends directors' compensation from time to time, as appropriate. In addition, GOCOM prepares and reviews public or regulatory disclosure respecting compensation and the basis on which performance is measured.

GOCOM has the authority to retain and compensate any outside advisor as it determines necessary to permit it to carry out its duties.

- (d) If a compensation consultant or advisor has, at any time since the beginning of the issuer's most recently completed financial year, been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state that fact and briefly describe the nature of the work.

GOCOM engaged the services of Towers Perrin to provide executive compensation consulting services to the Committee during 2007. The mandate of the consultant was to undertake market comparisons, gather information on competitive compensation practices, and to provide advice on developing appropriate compensation programs for the Corporation's executive officers. The fees paid to Towers Perrin in 2007 for the consultant's services were approximately \$260,000 for compensation, administration, benefits, and actuarial consulting services as well as published surveys and studies. Approximately \$108,000 was incurred for direct executive compensation services. In 2007, Mercer provided the Corporation with non-executive compensation, benefit, and pension actuarial consulting services, and published surveys and studies. The fees paid for these services were approximately \$350,000. GOCOM annually pre-approves the consulting services of Towers Perrin and Mercer.

### 8. Other Board Committees

If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.

The Board's other standing committees are the Risk Review Committee and the Pension Fund Committee. The responsibilities of these committees, together with GOCOM and the Audit Committee, can be found in their mandates which are available on the Corporation's website at [www.canadian-utilities.com](http://www.canadian-utilities.com).

Further information on these committees can also be found on pages 13 to 18 of the management proxy circular.

#### 9. Assessments

Disclose whether or not the board, its committees and individual directors are regularly assessed with respect to effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the board satisfies itself that the board, its committees, and its individual directors are performing effectively.

The Board, its committees and its individual directors are assessed at least annually. This function is facilitated by the Lead Director on behalf of the Chairman of the Board. Board and committee performance evaluation questionnaires are distributed to each director and Board committee member. The questionnaires provide the directors with the opportunity to examine their effectiveness, compare their personal assessment with the assessment by their peers, and identify areas of improvement. The questions address director skills and experience, preparation, attendance and availability at meetings, communication and interaction, business, company and industry knowledge as well as an overall assessment. The responses are conveyed to GOCOM and each Board member receives a full report from GOCOM on the Board questionnaire. Each committee member receives a complete report on the committee questionnaire.

As required, the Chairman of the Board meets with each director to discuss his/her performance and other issues relating to the Board, committee and director performance.

Directors are encouraged not to be limited to responding only to the questions provided, but to comment broadly.

Copies of position descriptions and mandates noted herein as being available on the Corporation's website may also be obtained on request from the Corporate Secretary.

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## **SCHEDULE B BOARD OF DIRECTORS' MANDATE**

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The Board of Directors (the "Board") of Canadian Utilities Limited (the "Corporation") is responsible for the stewardship of the Corporation and for overseeing the conduct of the business of the Corporation and the activities of management, who are responsible for the day-to-day conduct of the business.

### Composition and Operation

The Board operates by reserving certain powers to itself and delegating certain of its authorities to management. The Board retains responsibility for managing its own affairs, including selecting its chair, nominating candidates for election to the Board, constituting committees of the Board, and determining director compensation. Subject to the articles and by-laws of the Corporation and the *Canada Business Corporations Act*, the Board may constitute, seek the advice of, and delegate powers, duties and responsibilities to, committees of the Board.

### Responsibilities

The Board's primary responsibilities are to preserve and enhance long-term shareholder value and to ensure that the Corporation meets its obligations on an ongoing basis and operates in a reliable and prudent manner. In performing its duties, the Board should also consider the legitimate interests other interested parties, such as employees, customers and communities, may have in the Corporation. In broad terms, the stewardship of the Corporation involves the Board in strategic planning, risk management and mitigation, senior management determination, communication planning, and internal control integrity. More specifically, the Board is responsible for

- (a) to the extent feasible, satisfying itself as to the integrity of the Chief Executive Officer ("CEO") and other executive officers and that the CEO and other executive officers create a culture of integrity throughout the organization;
- (b) adopting a strategic planning process and approving, on an annual basis, a strategic plan for the Corporation which takes into account, among other things, the opportunities and risks of the business;
- (c) identifying the principal risks of the Corporation's business and ensuring the implementation of appropriate systems to manage these risks;
- (d) succession planning (including appointing, training and monitoring senior management);
- (e) adopting a communication policy for the Corporation that includes measures for receiving feedback from interested parties;
- (f) the Corporation's internal control and management information systems;
- (g) developing the Corporation's approach to corporate governance, including developing a set of corporate governance principles and guidelines that are specifically applicable to the Corporation; and
- (h) on an individual basis, attending Board meetings, reviewing meeting materials in advance of meetings, and complying with the other expectations and responsibilities of directors of the Corporation established by the Board.

## Specific Duties

The Board's specific duties, obligations and responsibilities fall into the following categories:

### 1. *Legal Requirements*

- (a) The Board has oversight responsibility for the Corporation's satisfaction of its legal obligations and for properly preparing, approving and maintaining the Corporation's documents and records.
- (b) The Board has the statutory obligation to
  - (i) supervise the management of the business and affairs of the Corporation,
  - (ii) act honestly and in good faith with a view to the best interests of the Corporation,
  - (iii) exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances, and
  - (iv) act in accordance with its obligations contained in the *Canada Business Corporations Act* and the regulations thereunder, the Corporation's articles and by-laws, and other relevant legislation and regulations.
- (c) The Board has the statutory obligation to consider certain matters as a board of directors. The Board may not delegate to management or to a committee of the Board the authority to
  - (i) submit to the shareholders any question or matter requiring the approval of the shareholders,
  - (ii) fill a vacancy among the directors or in the office of auditor,
  - (iii) issue securities except in the manner and on the terms authorized by the Board,
  - (iv) declare dividends,
  - (v) purchase, redeem or otherwise acquire shares issued by the Corporation, except in the manner and on the terms authorized by the Board,
  - (vi) pay a commission to any person in consideration of the person's purchasing or agreeing to purchase shares of the Corporation from the Corporation or from any other person, or procuring or agreeing to procure purchasers for shares of the Corporation,
  - (vii) approve any management proxy circular relating to a solicitation of proxies by or on behalf of management of the Corporation,
  - (viii) approve any take-over bid circular or directors' circular,
  - (ix) approve any annual financial statements of the Corporation, or
  - (x) adopt, amend or repeal by-laws.

2. *Independence*

The Board is responsible for implementing appropriate structures and procedures to permit the Board to function independently of management.

3. *Strategic Planning*

The Board is responsible for ensuring that there are long-term goals and a strategic planning process in place for the Corporation and participating with management directly or through its committees in approving the strategic plan by which the Corporation proposes to achieve its goals.

4. *Risk Management*

The Board is responsible for understanding the principal risks of the business in which the Corporation is engaged, achieving a proper balance between risks incurred and the potential return to shareholders, and confirming that there are systems in place that effectively monitor and manage those risks with a view to the long-term viability of the Corporation.

5. *Appointment, Training and Monitoring of Senior Management*

The Board is responsible for

- (a) appointing the CEO of the Corporation, monitoring and assessing the CEO's performance, determining the CEO's compensation, and providing advice and counsel to the CEO in the execution of the CEO's duties,
- (b) approving the appointment and remuneration of all officers of the Corporation, and
- (c) confirming that adequate provision has been made for the training and development of management and for the orderly succession of management.

6. *Reporting and Communication*

The Board is responsible for

- (a) verifying that the Corporation has in place policies and programs to enable the Corporation to communicate effectively with its shareholders, other interested parties and the public generally,
- (b) verifying that the financial performance of the Corporation is adequately reported to shareholders, other security holders and regulators on a timely and regular basis,
- (c) verifying that the Corporation's financial results are reported fairly and in accordance with generally accepted accounting principles,
- (d) verifying the timely reporting of any other developments that have a significant and material effect on the value of the Corporation, and
- (e) reporting annually to shareholders on the Board's stewardship of the affairs of the Corporation for the preceding year.

7. *Monitoring and Acting*

The Board is responsible for

- (a) verifying that the Corporation operates at all times within applicable laws and regulations to the highest ethical and moral standards,
- (b) approving and monitoring compliance with the significant policies and procedures by which the Corporation is operated,
- (c) verifying that the Corporation sets high environmental standards in its operations and is in compliance with environmental laws and legislation,
- (d) verifying that the Corporation has in place appropriate programs and policies for the health and safety of its employees in the workplace,
- (e) monitoring the Corporation's progress toward its goals and objectives and revising and altering its direction through management in response to changing circumstances,
- (f) taking action when the Corporation's performance falls short of its goals and objectives or when other special circumstances warrant,
- (g) verifying that the Corporation has implemented adequate disclosure controls and procedures and internal control and information systems,
- (h) ensuring that the Board receives from senior management on a timely basis the information and input required to enable the Board to effectively perform its duties,
- (i) adopting a written code of business conduct and ethics and monitoring compliance with the code, and
- (j) conducting and acting upon annual assessments and evaluations of the Board, committees of the Board and individual directors.

8. *Other*

The Board may perform any other activities consistent with this mandate, the Corporation's articles and by-laws, and any other governing laws, as the Board deems necessary or appropriate.

## **SCHEDULE C QUESTIONS AND ANSWERS ON VOTING AND PROXIES**

The information contained in the following questions and answers is similar to that provided in Section 1 of the management proxy circular. This format is designed as additional guidance to help a shareholder in determining how to vote. A flow chart is also included that outlines the differences if you are voting as a registered or non-registered shareholder. Any further questions may be directed to our transfer agent, CIBC Mellon Trust Company, by accessing [www.cibcmellon.com](http://www.cibcmellon.com), by e-mail at [inquiries@cibcmellon.com](mailto:inquiries@cibcmellon.com), by fax at (416) 643-5501, or by telephone:

Within Canada and the U.S.:  
1 (800) 387-0825

In the Toronto area, or from any other country:  
(416) 643-5500

A Glossary is included as Schedule D for your convenience. You may wish to review the Glossary prior to reading the following questions and their answers.

### **Q. Am I entitled to vote?**

**A.** You are entitled to vote if you were a holder of Class B common shares of Canadian Utilities Limited as of the close of business on March 18, 2008. Each Class B common share entitles its holder to one vote.

### **Q. How many shareholders are required to constitute a quorum at the meeting?**

**A.** The Corporation's by-laws provide that for the transaction of business at the meeting a quorum will be two persons present and holding or representing by proxy twenty-five percent of the shares entitled to vote at the meeting.

### **Q. What am I voting on?**

**A.** You are voting on the following business matters that are to be addressed at the annual meeting:

- the election of the directors;
- the appointment of the auditor; and
- such other business as may properly come before the meeting or any adjournment thereof.

### **Q. What if amendments are made to these matters or if other matters are brought before the meeting?**

**A.** If you are a registered shareholder and attend the annual meeting in person and are eligible to vote, you may vote on such matters as you choose.

If you have properly completed and returned a form of proxy or voting instruction form, the person named therein will have discretionary authority with respect to voting on amendments or variations to matters identified in the notice of the annual meeting, and on other matters which may properly come before the annual meeting.

### **Q. Who is soliciting my vote?**

**A.** The management of Canadian Utilities Limited is soliciting your vote.

### **Q. How do I vote?**

**A.** If you are a **registered shareholder**, you may vote in one of the following ways:

- in person at the annual meeting;
- by properly completing and signing the enclosed form of proxy appointing the named persons or some other person you choose to represent you as proxyholder and vote your shares at the annual meeting, and returning it in the enclosed prepaid envelope;
- by faxing both sides of your properly completed form of proxy to CIBC Mellon Trust Company at 1 (866) 781-3111 (from within Canada and the U.S.) or (416) 368-2502 (from outside North America);
- by telephone using the following toll free number 1 (866) 271-1207 and following the voice prompts. You will need to enter the 13 digit Control Number located in the lower left-hand corner on the reverse of the form of proxy mailed to you in order to enter your voting instructions;
- via the internet by accessing [www.eproxyvoting.com/cu](http://www.eproxyvoting.com/cu) and following the prompts. You will need to enter your 13-digit Control Number located in

the lower left-hand corner on the reverse of the form of proxy mailed to you in order to enter your voting instructions.

If you are a **non-registered shareholder** your shares are held in the name of a nominee (usually a bank, broker, or trust company). You should have received a request for voting instructions from your nominee. If you wish to vote in person at the annual meeting, insert your own name in the space provided on the voting instruction form and return it by following the instructions provided. Please register with the Corporation's transfer agent, CIBC Mellon Trust Company, upon arrival at the annual meeting. If you do not intend to attend the annual meeting in person, follow the instructions on your voting instruction form to vote by telephone, internet or fax, or complete, sign and mail the voting instruction form in the postage prepaid envelope provided.

**Q. Who votes my shares and how will they be voted if I return a form of proxy?**

- A.** By properly completing and returning a form of proxy, you are authorizing R.D. Southern, Chairman of the Board, or failing him, N.C. Southern, President & Chief Executive Officer, to attend the annual meeting and to vote your shares. You can use the enclosed proxy form, or any other proper form of proxy, to appoint your proxyholder.

The shares represented by your proxy will be voted as you have instructed. If you properly complete and return your form of proxy but do not specify how you wish the votes cast, your shares will be voted as your proxyholder sees fit.

If neither you nor your proxyholder gives specific instructions, your shares will be voted as follows:

- **FOR the election as directors of those nominees set out in the management proxy circular;**
- **FOR the appointment of PricewaterhouseCoopers LLP, as the auditor of the Corporation.**

**Q. Can I appoint someone other than the individuals named in the enclosed form of proxy or voting instruction form to vote my shares?**

- A.** Yes, as a **registered shareholder** you have the right to appoint another person of your choice, who need not be a shareholder, as your proxyholder to attend and act on your behalf at the annual meeting. If you wish to appoint a person other than those named in the enclosed form of proxy, then draw a line through the printed names appearing on the form of proxy and insert the name of your chosen proxyholder in the space provided. This can also be accomplished via the internet by accessing [www.eproxyvoting.com/cu](http://www.eproxyvoting.com/cu).

If you are a **non-registered shareholder** please follow the instructions provided by your nominee.

It is important for you to ensure that any other person you appoint as your proxyholder will attend the annual meeting and is aware that his or her appointment has been made to vote your shares. Proxyholders should, on arrival at the annual meeting, present themselves to a representative of CIBC Mellon Trust Company.

**Q. Who may sign the form of proxy?**

- A.** For a shareholder who is an individual, the form of proxy may be signed either by the individual or by his or her authorized attorney. In the case of a shareholder which is a body corporate or an association, the form of proxy must be signed by a duly authorized officer or by an authorized attorney. Persons signing as executors, administrators or trustees should so indicate and must provide a true copy of the document establishing their authority. An authorized person(s) of a partnership should sign in the partnership name.

**Q. What if my shares are registered in more than one name or in the name of a company?**

- A.** If the shares are registered in more than one name, all those persons in whose name the shares are registered must sign the form of proxy. If the shares are registered in the name of a company or any name other than

your own, you should provide documentation that proves you are authorized to sign the form of proxy on behalf of that company or name. If you have any questions as to what supporting documentation is required, contact CIBC Mellon Trust Company prior to submitting your proxy.

**Q. Where do I send my form of proxy?**

- A.** If you are a **registered shareholder**, please return your properly completed form of proxy to our transfer agent in the postage paid envelope provided or mail it to CIBC Mellon Trust Company, Attention: Proxy Department, P.O. Box 721, Agincourt, Ontario, M1S 0A1. Alternatively, you may fax both sides of your completed form of proxy to (416) 368-2502 or 1 (866) 781-3111 (toll free within Canada and the U.S.).

If you are a **non-registered shareholder**, please follow the instructions provided by your nominee.

**Q. What is the deadline for submitting my form of proxy?**

- A.** To be effective your form of proxy must be received by CIBC Mellon Trust Company before 5:00 p.m. Eastern Daylight Time on May 5, 2008.

**Q. Can I change my mind once I have submitted my vote to the Corporation?**

- A.** Yes, if you are a **registered shareholder** you can complete another form of proxy prior to the submission deadline. The later-dated form of proxy will replace the one submitted earlier. You can also revoke your vote by stating clearly, in writing, that you want to revoke your vote. This statement should be delivered to:

- the Corporation's Secretary by mail at 1400 ATCO Centre, 909 - 11th Avenue S.W., Calgary, Alberta, T2R 1N6, or by fax at (403) 292-7623 at any time up to and including the last business day preceding the day of the annual meeting or any adjournment thereof;
- the chair of the annual meeting prior to the commencement of the meeting on the day of the meeting or any adjournment thereof.

If you are a **non-registered shareholder**, you should contact your nominee for instructions to revoke your vote.

**Q. How many shares are entitled to vote?**

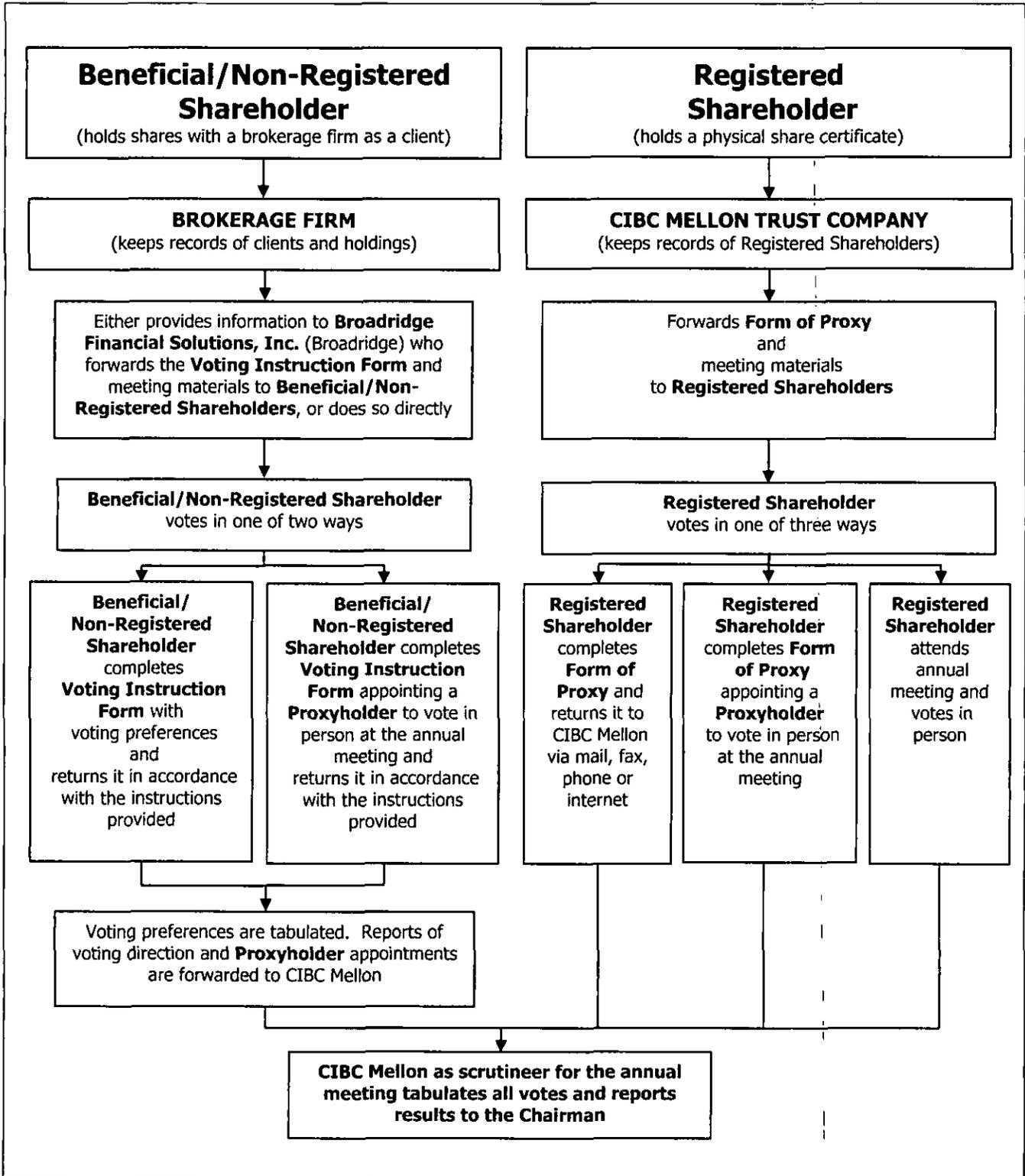
- A.** As of the date of the management proxy circular, there were 43,739,284 Class B common shares outstanding. Each registered shareholder has one vote for each Class B common share of Canadian Utilities Limited held at the close of business on March 18, 2008.

**Q. What if ownership of shares has been transferred after March 18, 2008?**

- A.** Class B common shares can be voted at the meeting only by those persons who were registered shareholders at the close of business on March 18, 2008, and their duly appointed proxyholders.

A person who acquires Class B common shares after March 18, 2008, cannot vote those shares at the annual meeting.

# SHAREHOLDER VOTING PROCESS



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**SCHEDULE D GLOSSARY**

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**Acronyms****CPP**

Canada Pension Plan

**DB**

Defined Benefit

**DC**

Defined Contribution

**GOCOM**

Corporate Governance - Nomination,  
Compensation and Succession Committee

**SAR**

Share Appreciation Right

**SEDAR**

System for Electronic Document Analysis and  
Retrieval

**TDC**

Total Direct Compensation

**TSX**

Toronto Stock Exchange

**VIF**

Voting Instruction Form

**At Risk**

At risk is the amount of money that is invested in the shares of the Corporation that is exposed to the possibility of loss.

**Ballot**

A ballot is a formal record of a vote taken at the meeting.

**Comparator Markets**

Comparator markets are comprised of General Industry and Utility/Alberta companies of similar size and scope of operations.

**Discretionary Authority**

If you are not attending the meeting in person, the individual you appoint as your proxy to vote your shares will have the authority to vote at his or her discretion on matters that are not specifically set out in the notice of meeting as well as on any variations to the matters that are set out in the notice of meeting.

**Exercise Price**

The price fixed by the Board at the time that an option is granted. The price is the weighted average of the trading price of the Class A non-voting shares on the TSX for the five trading days immediately preceding the date of the grant.

**Form of Proxy/Voting Instruction Form**

If you are a shareholder of the Corporation, either a form of proxy (for registered shareholders) or a voting instruction form ("VIF") (for non-registered shareholders) will be included with your management proxy circular. A form of proxy or VIF allows you to vote your shares or appoint another person to vote on your behalf in the event that you are unable to attend the annual meeting. A form of proxy or VIF denotes the business that is to be acted upon at the annual meeting of shareholders.

**Named Executive Officer**

Named Executive Officer means the following individuals: the Chief Executive Officer ("CEO"), the Chief Financial Officer ("CFO") and each of the Corporation's three other most highly compensated executive officers who were serving as executive officers at the end of the most recently completed financial year or any additional individuals for whom disclosure would have been provided except that they were not serving as an officer at the end of the most recently completed year.

**Nominee**

Your shares will be held by a nominee on your behalf if you are a non-registered shareholder. A nominee may be your stockbroker, your bank, or a trust company.

### **Non-Registered Shareholder**

You are a non-registered shareholder if your shares are not held in your own name, but in the name of a Nominee such as your bank, broker or trust company.

### **Option**

Through the stock option plan, individuals are awarded options to purchase non-voting shares of the Corporation at a future date at a particular price.

### **Proxyholder**

A proxyholder is the person you appoint to attend, speak at, vote and otherwise act at the annual meeting on your behalf. If you specify how you want your shares voted on a particular matter, your proxyholder is obligated to vote your shares that way. If you do not specify how you want your shares to be voted, your proxyholder has discretionary authority to vote your shares in any manner he or she wishes.

### **Record Date**

The Corporation is required by the *Canada Business Corporations Act* to establish a record date that is no fewer than 21 days and no more than 60 days before the annual meeting date. The record date is established for the purpose of determining which shareholders are entitled to receive notice of the annual meeting of shareholders or the shareholders that are entitled to vote at the annual meeting of shareholders. March 18, 2008 is the record date that has been established for the 2008 annual meeting of shareholders.

### **Registered Office of the Corporation**

The registered office of Canadian Utilities Limited is 20<sup>th</sup> Floor, 10035 - 105 Street, Edmonton, Alberta, T5J 2V6. The principal office of the Corporation is 1600, 909 - 11<sup>th</sup> Avenue S.W., Calgary, Alberta, T2R 1N6.

### **Registered Shareholder**

You are a registered shareholder if your shares are held in your name. You will have a paper share certificate denoting your ownership of the shares.

### **Revocation of Vote**

If you submit your vote and subsequently change your mind, you must replace your original vote with a later-dated instruction.

### **S&P/TSX Composite Index**

The S&P/TSX Composite Index is currently a list of the 253 largest companies on the TSX as measured by market capitalization.

### **SEDAR**

SEDAR stands for System for Electronic Document Analysis and Retrieval. The official site that provides access to most public securities documents and information filed by public companies with the Canadian Securities Administrators is [www.sedar.com](http://www.sedar.com).

### **Share Appreciation Rights**

Through the share appreciation rights plan, individuals are awarded share appreciation rights ("SARs") which allow the individual the right to receive a payment in cash equal to the appreciation in the Corporation's shares over a specified period.

### **Solicitation of Proxies**

Proxy solicitation is the process of acquiring votes and support for the matters to be voted on.

### **Stock Dividend/Split**

A stock dividend by way of a stock split is an increase in the number of outstanding shares of a company, such that the proportionate equity of each shareholder remains the same.

### **Voting Instruction Form**

If you are a non-registered shareholder, you will receive a voting instruction form or "VIF" rather than a form of proxy. The VIF should be provided by your nominee and included with your management proxy circular. A VIF allows you to appoint another person or company to vote your shares for you in the event that you are unable to attend the annual meeting. A VIF denotes the business that is to be acted upon at the annual meeting of shareholders.