



**ATCO Group** is a diversified, Canadian-based, international group of companies focused on profitable sustainable growth and achievement with approximately \$10 billion in assets and more than 7,500 people actively engaged in Utilities (pipelines, natural gas and electricity transmission and distribution), Energy (power generation, natural gas gathering, processing, storage and liquids extraction), Structures & Logistics (manufacturing, logistics and noise abatement) and Technologies (business systems solutions).

# ATCO LTD.

ANNUAL REPORT 2009



#### COVER PHOTO

A view of Willow Creek meandering through the flats west of Claresholm and east of the Porcupine Hills in southwestern Alberta. Willow Creek extends through the Porcupine Hills, which can be seen in the background.



# 2009 ATCO Ltd. Annual Report

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### PHOTO (LEFT)

Where the prairie meets the mountains near Mountain View, Alberta, a majestic welcome of green pastures and mountain tops create a wonderful symbol of Alberta's diversity.

# Business Segments



**ATCO**  
GROUP

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## Structures & Logistics

**ATCO** Structures & Logistics

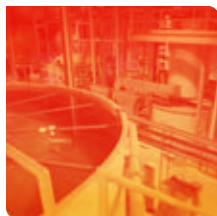


## Utilities

**ATCO** Electric

**ATCO** Gas

**ATCO** Pipelines



## Energy

**ATCO** Power

**ATCO** Midstream

**ATCO** Energy Solutions

**ATCO** I-Tek

**ATCO** Travel

# ATCO Ltd.

## Financial Highlights

### CONSOLIDATED ANNUAL RESULTS

	Year End December 31	
(Millions of Canadian dollars except per share data)	2009	2008
<b>FINANCIAL</b>		
Revenues	3,108.9	3,265.6
Earnings attributable to Class I & Class II shares	283.3	272.2
Adjusted earnings	278.4	266.3
Total assets	9,954.6	8,669.2
Class I & II share owners' equity	2,009.6	1,770.1
Funds generated by operations	935.1	923.5
Capital expenditures	986.8	1,081.8
<b>CLASS I NON-VOTING &amp; CLASS II VOTING SHARE DATA</b>		
Earnings per share	4.89	4.71
Diluted earnings per share	4.88	4.67
Adjusted earnings per share	4.81	4.61
Dividends paid per share	1.00	0.94
Equity per share	34.52	30.64
Shares outstanding (thousands)	58,220	57,779
Weighted average shares outstanding (thousands)	57,899	57,749

The above data (other than adjusted earnings, funds generated by operations, and adjusted earnings per share) has been extracted from financial statements which have been prepared in accordance with Generally Accepted Accounting Principles and the reporting currency is the Canadian dollar.

For further information please see ATCO Ltd. Consolidated Financial Statements and Management's Discussion and Analysis - [www.sedar.com](http://www.sedar.com).

#### Forward-looking Information:

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

# President's Letter to Share Owners



**Nancy C. Southern**

Deputy Chair, President & Chief Executive Officer

Your Company also experienced good success and progress on a number of strategies.

On July 1, 2009, ATCO Structures & Logistics Ltd. was formed. This was the culmination of many months of work performed by ATCO Ltd. and Canadian Utilities Limited (CU) special Board Committees to bring the products and services of ATCO Structures, ATCO Frontec and ATCO Noise Management together under one company. ATCO Ltd. now owns 75.5% of the new company and CU owns 24.5%.

The formation of ATCO Structures & Logistics successfully blends the products and services required by our customers into one worldwide company. The new ATCO Structures & Logistics provides manufactured camps, camp services and logistical support to resource industry customers; facility management and operations and logistical support to defence clients, such as North Atlantic Treaty Organization (NATO), North American Aerospace Defense Command (NORAD) and The Canadian Department of Defence; rapid deployment solutions for emergency situations, such as experienced in Pakistan, Haiti and Chile, as well as the traditional workforce housing and space rental products, along with noise attenuation solutions on industrial sites.

## Dear Share Owners,

2009 is a year that will not easily be forgotten; the global financial crisis and a looming severe international recession shook the foundations of corporate and consumer confidence throughout the developed world.

Extraordinary fiscal and monetary policies were applied to stabilize threatened economies with varying degrees of success.

As I write to you today, there are still tremors and aftershocks appearing around the world that make the prospects of a strong worldwide recovery fragile indeed.

Against this backdrop, in January 2009, ATCO implemented two key performance enhancement objectives:

- Operational Savings
- Cash Improvement

With a self-imposed urgency on these matters, a capital budget of close to \$1 billion and commodity prices, particularly power pool prices, negatively impacted by over supply and curtailed demand, our executive teams in our principal operating subsidiaries and corporate office aggressively engaged on a line-by-line basis to find efficiency improvements in our general and administrative costs as well as applying a stern rigour to our capital projects.

The net result was improved profitability by year end of \$283 million, a record year for ATCO Ltd., and close to \$1 billion of cash available on a consolidated basis.

These performance enhancement measures have also provided a more competitive base for ATCO as we enter 2010.

The formation of ATCO Structures & Logistics was the first step in realigning the group's business segments into Structures & Logistics, Utilities (ATCO Gas, ATCO Pipelines and ATCO Electric) and Energy (ATCO Power, ATCO Midstream and ATCO Energy Solutions). This strategy is designed to optimize the management skills and talent of complementary businesses creating a stronger, somewhat simplified platform for future growth.

ATCO I-Tek is now reported under the 'Corporate & Other' segment and remains an engine to ATCO's earnings and prospective opportunities.

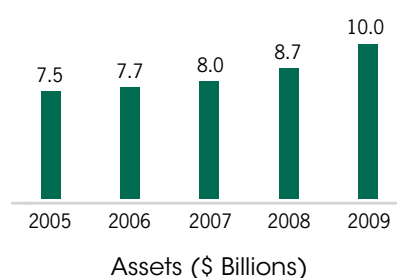
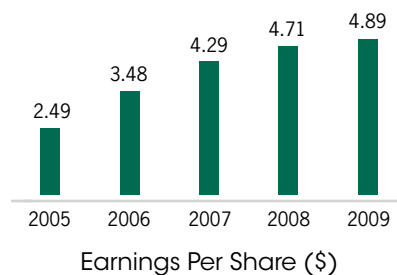
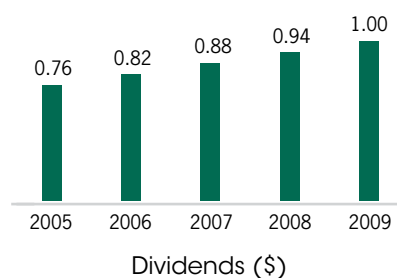
Progress was also made on components of our 'Green Energy Corridor' strategy that we initiated several years ago. This concept envisions the replacement and reduction of greenhouse gas emissions by providing clean electricity for Alberta from 'run-of-river' hydro generation facilities in Alberta's north and the Northwest Territories.

ATCO Electric was authorized by the Alberta Electric System Operator to prepare a facilities application for the Alberta Utilities Commission to approve the corridor, construction and operations of a 500 kilovolt, direct current, high-voltage transmission line to run down the east side of Alberta. The project is deemed as 'critical infrastructure' by the Province and is estimated to be an investment of more than \$1 billion for ATCO Electric. Construction is slated to begin in late 2010.

In 2009, ATCO Group invested more than \$900 million in

capital projects, the majority of which was spent by our Utility Companies on infrastructure within Alberta, while ATCO Power commenced construction on the 86 megawatt, gas-fired Karratha Power Station in Western Australia.

In the past five years, your Company has invested \$4.1 billion in new projects while maintaining a strong cash position on our balance sheet, earnings and dividend growth and no dilution to your ownership in the Company.



I want to thank my colleagues in the Office of the Chairman, the Presidents, and their Executive Teams, and the more than 7,500 men and women of ATCO Group who, amidst the rippling effects of a deep global recession, preemptively prepared to husband our resources,

strengthen our internal processes and still delivered growth in our earnings. They did this with a commitment to the safe, reliable and environmentally conscious delivery of goods and services to our customers.

I would like to add a special thank you to Karen Watson and Michael Shaw; two senior executives who retired in 2009.

Michael Shaw retired as Managing Director, Strategic Planning, after 30 years of service in a variety of roles throughout our Company where he influenced or led many of ATCO's success stories.

Karen Watson retired as our Senior Vice President & Chief Financial Officer after joining the Company in 1976. ATCO's strong credit rating, detailed financial controls, high reporting standards and exemplary disclosure are a small part of the legacy Karen leaves with us.

2009 was a year of good achievements and at the heart of our accomplishments was the sage counsel and guidance provided by our extraordinary Board of Directors and Chairman. Thank you!

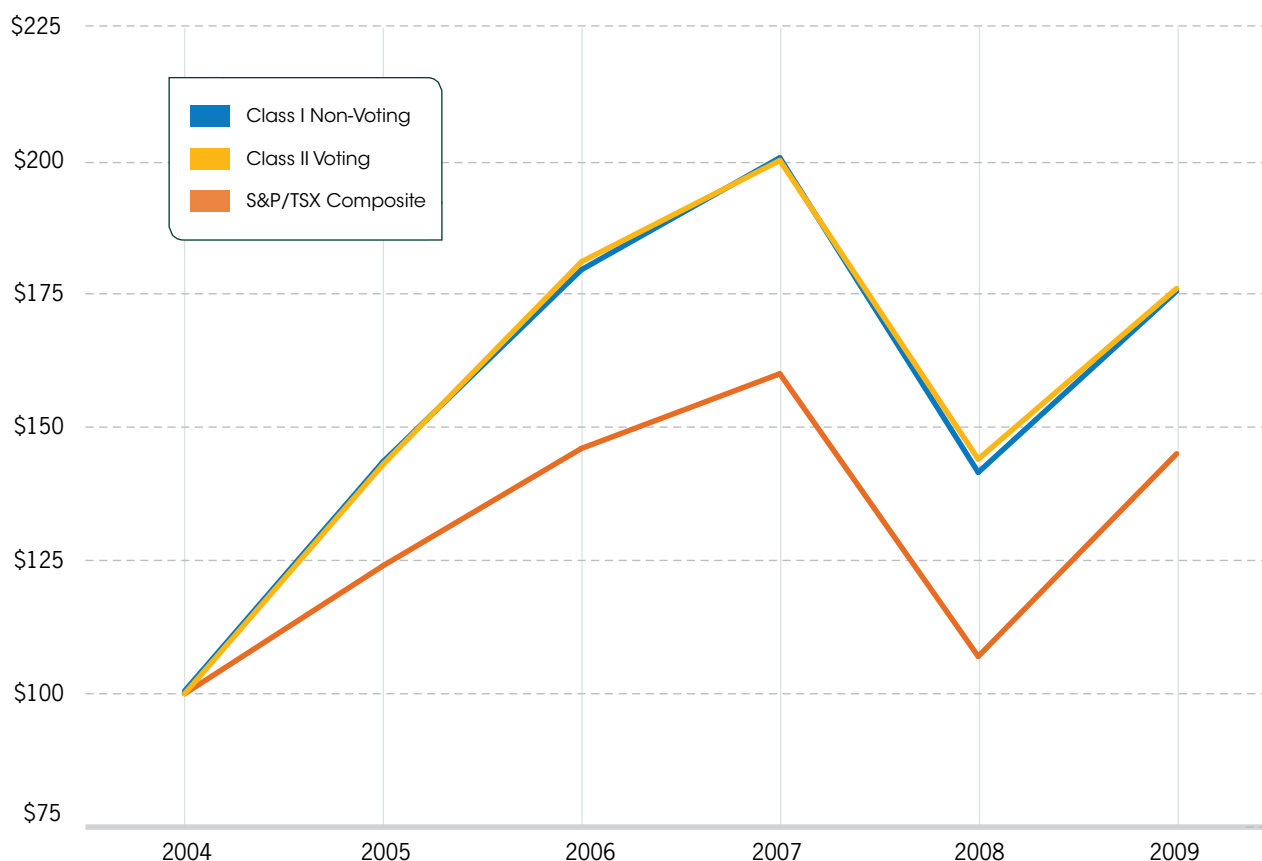
In closing, I also want to thank you, the owners of ATCO, for your letters of support and encouragement.

Warmest regards,

**N.C. Southern**  
Deputy Chair, President & Chief Executive Officer

# Five-Year Total Return on \$100 Investment

## ATCO LTD. CLASS I NON-VOTING AND CLASS II VOTING SHARES



### ATCO Share Ownership

It is important for prospective owners of ATCO shares to understand that ATCO is a diversified group of companies principally controlled by Sentgraf, a Southern family holding company.

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

	Compound Growth Rate	Cumulative Return
Class I Non-Voting	11.8%	\$175
Class II Voting	12.0%	\$176
S&P/TSX Composite	7.7%	\$145

The graph compares the cumulative share owner return over the last five years on the Class I Non-Voting and Class II Voting shares of the Corporation (assuming reinvestment of dividends) with the cumulative total return of the S&P/TSX composite index.



# Chairman's Letter



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

2009 progressed with many unfavourable scenarios unfolding and all things moving at the same moment with broad negative consequences for many governments, corporations, and individuals. The distressing severity varied - but, as your President reports, even though ATCO Group's results were in a great balance, we came out on the right side of the scale.

Directors and senior officers started the year off in a timely fashion with an effective strategy conference, which went far beyond number crunching, and focused on those areas in which they believe we can be most successful in the future. This strategic and tactical interchange between directors and executives continued during each two-day quarterly board meeting for the better part of a day.

Our tactics flowing from those discussions, has given a new found determination to re-structure parts of our organization; to deploy our financial and human resources with full force into our sectoral and geographic opportunities; continuing to strengthen our balance sheet; and achieving sustainable profitability in the face of what we all agree will be uncertainty through a long-term business cycle involving many structural economic variants.

Your President's letter features the group's achievements in this regard.

While all of this continues to be a work-in-progress, your Board of Directors would like, on behalf of our Share Owners, to compliment our executives who lead the company, and all of their people for their record achievements with respect to strengthening our financial reserves, and with respect to the Group's dividends per share which have increased for 16 consecutive years.

Equally, to compliment them on the strategic focus of their organizational changes, especially in bringing together two distinct share registries of Canadian Utilities and ATCO - namely ATCO Frontec's logistics business, and ATCO Structures' manufacturing and leasing business, into what is now fully operational as ATCO Structures & Logistics Ltd., proportionately owned by the two registries. As their Chairman, I would like to

compliment the separate and distinct special committees of Directors who achieved this beneficial result.

2010 and the future are far from clear. There remains a danger of double-dip recession; a jobless recovery; deflation; inflation; or even stagflation.

Default problems may still be a major issue in commercial property and real estate, and meaningful reform in the global financial system to improve its reliability still seems quite elusive.

Your Board of Directors continues to counsel our officers to maintain the strongest possible financial positions, and to conduct their affairs with steady nerves as we enter the second decade of this century when we believe we will be privy to meaningful opportunities.

Your Directors also wish to thank all the people who build our endeavours for their loyalty, performance, and their supreme virtue of action which bring the ATCO heart and mind attitude of "yes we can" to all we do.

May we also express to our Share Owners our sincere appreciation for the trust and confidence you place in us.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "R. D. Southern", with a stylized flourish at the end.

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

# Creating a Green Corridor



**Siegfried W. Kiefer**  
Managing Director, Utilities

For decades ATCO has been finding cleaner ways to produce energy. From tapping the sun for solar power in Chile to heating homes and buildings with geothermal technology in Alberta, ATCO continues to innovate. The company is recognized as a leader in developing environmentally responsible co-generation power plants and its long-term vision includes a plan for sustainable energy; a plan for a green corridor that links north to south.

ATCO's green corridor begins in Canada's north with the development of hydro generation projects. The Mackenzie, Peace, Athabasca and Slave Rivers offer opportunity for several thousand megawatts of clean, green energy. We believe these hydro developments could eventually be a replacement for Alberta's

coal-fired power stations, effectively reducing Alberta's and Canada's greenhouse gas emissions.

ATCO is reviewing opportunities for the development of large-scale run-of-river hydro projects. This includes its proposed Slave River hydro project in partnership with TransCanada Corporation.

The 415-kilometre Slave River crosses the border between Alberta and the Northwest Territories and connects into Great Slave Lake. With a flow of approximately 4,000 cubic metres per second, it's a natural source of pure power.

The Slave River project is still in the early stages as ATCO continues to work with local Aboriginal groups to study the impacts from an environmental, social and economic perspective. However, the potential is attractive, particularly in the wake of increasingly stringent emissions standards. It also provides an opportunity for economic development for the local communities.

Should the Slave River hydro project become a reality, it would stimulate ATCO's vision for a green corridor, as it would be used to produce emissions-free electricity for northern, central and southern Alberta; clean power fed through a network of new transmission lines proposed by the Government of Alberta.

In 2009, ATCO Electric was authorized by Alberta's Minister

of Energy to prepare a facilities application to build and operate a new high-voltage, direct-current transmission line along an eastern corridor in Alberta. It will connect an area north of Edmonton to a southern hub in the Brooks area providing safe, reliable electrical service across the province.

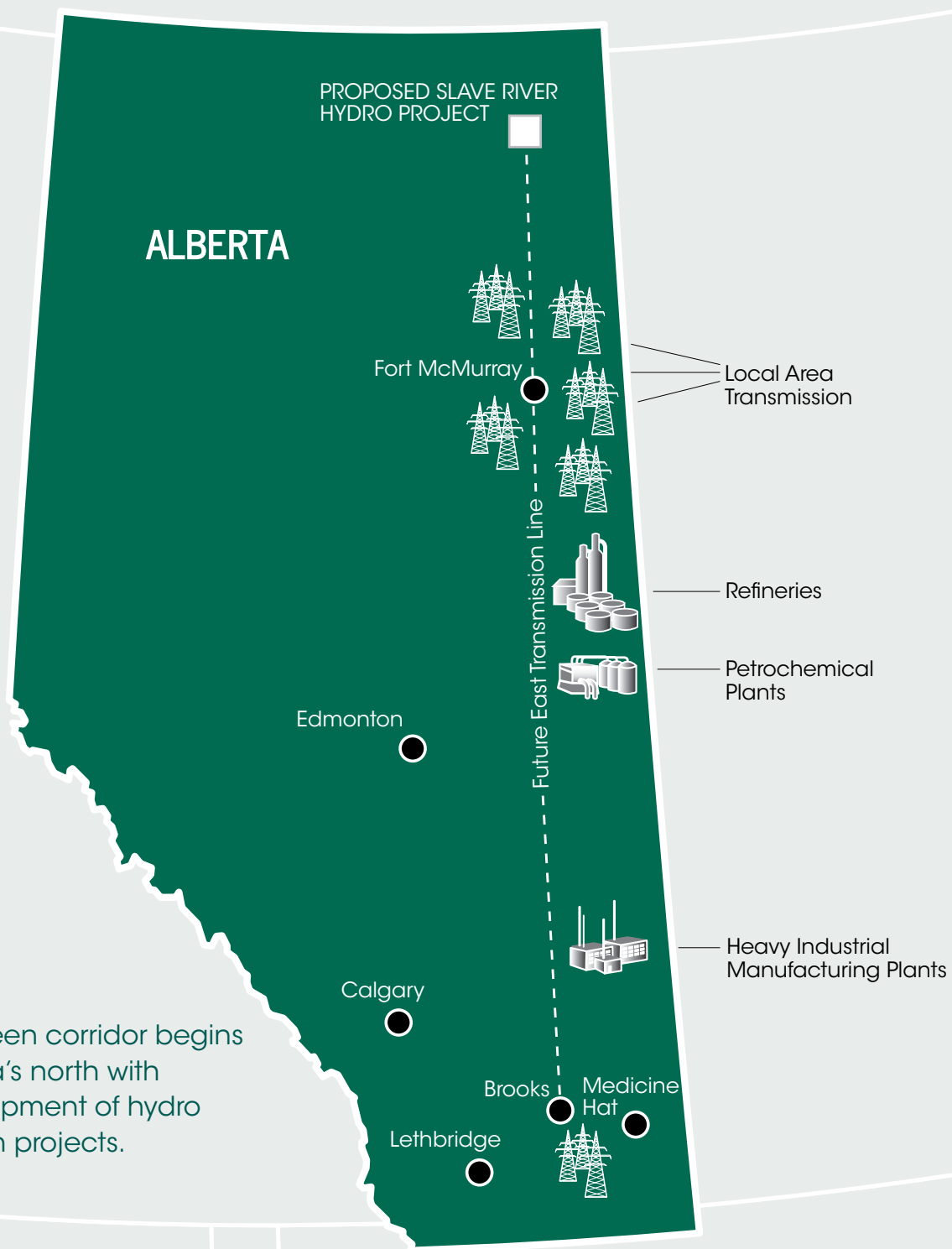
As part of the facilities application, ATCO Electric will determine the exact route for the transmission line, consulting with, and considering impacts to, landowners, First Nations, communities and the environment.

By combining ATCO Electric's extensive experience in developing and constructing transmission infrastructure through rural Alberta with ATCO Power's hydro development experience, ATCO is well positioned to carry out the Green Corridor program.

Together, the two companies are determined to help lead ATCO toward a new green energy frontier that focuses on sustainable power from north to south.



ATCO's green corridor begins in Canada's north with the development of hydro generation projects.







# Structures & Logistics

ATCO STRUCTURES & LOGISTICS





**HARRY WILMOT**

President & Chief Operating Officer,  
ATCO Structures & Logistics

ATCO Structures & Logistics provides complete infrastructure solutions to customers worldwide, including workforce housing, innovative modular facilities, construction, site support services, logistics, operations management and noise reduction technologies.

**PHOTO (LEFT)**

ATCO Structures & Logistics carefully manoeuvres an ATCO unit up a mountain road in the Alberta Rockies. The company has a worldwide reputation for deploying solutions to isolated locations.

## ATCO STRUCTURES & LOGISTICS

With manufacturing facilities in North America, South America, Australia, and the Middle East, and operations on six continents, the company has the expertise to rapidly deploy real-time support solutions and environmental systems essential to operating anywhere in the world.

2009 marked an important and financially strong beginning for ATCO Structures & Logistics (ASL).

The new company was formed July 1 after ATCO reached an agreement with Canadian Utilities (CU) to combine ATCO Structures and ATCO Noise Management, both wholly owned subsidiaries of ATCO, with ATCO Frontec, a wholly owned subsidiary of CU. Today, ATCO and CU have ownership interests of 75.5 per cent and 24.5 per cent respectively.

Combining the experience and expertise from ATCO Structures, ATCO Frontec and ATCO Noise Management provided the opportunity to offer an expanded suite of goods and services to traditional and new customers.

ASL structured itself along four main product lines: modular products, facilities operations and maintenance, camp support services, and construction.

ASL experienced higher earnings in 2009 than the separate CU and ATCO subsidiaries accomplished in 2008. This was primarily the result of earnings from its Saadiyat Island Project to provide housing in the United Arab Emirates, increased manufacturing activity in South America, continued strong space rentals in Australia, increased activity in its lodging operations and Kandahar military support projects in Afghanistan.

ASL focused on building the three former businesses into one company with one management team organized along functional capabilities, such as sales, human resources, accounting and manufacturing. This allows for integration of product offerings, increased opportunities and operating efficiencies. (Calgary operations were consolidated into two offices from three.)

Standardized business processes and policies were implemented across the company for human resource management, accounting and project management. In both quality control and health and safety, additional staff were added, third-party audits conducted and new processes implemented to continue to deliver improved performance in these important areas.

In 2009, ASL completed the largest workforce housing project in its history—a 20,000 person complex that supports the development of the multi-billion dollar Saadiyat Island tourism and cultural project in the United Arab Emirates. More than 4.15 million hours were worked on this project without a lost-time incident.

The housing is being used for workers hired to build infrastructure projects on the resort island of Saadiyat. The complex includes sleeping accommodations, recreational amenities, and kitchen, dining and laundry facilities. ASL maintains a presence on site for a one-year-warranty period and to explore new opportunities in the region.

In Australia, both workforce housing and space rental utilization rates remained high. Many new workforce housing projects were announced during the year, including a contract for the Victoria Desalination Project. ASL secured the contract

#### PHOTO (BELOW)

ATCO Structures & Logistics, in a joint-venture with the Fort McKay First Nation, constructed and now operates the 1,900-room Barge Landing Lodge complex. The facility provides accommodations to oilsands workers and is located on Fort McKay First Nation land.



to supply a 200-person camp to accommodate the workforce during the construction of a new Queensland correctional facility.

ASL was also heavily involved in an Australian government education initiative—Building the Education Revolution (BER)—a significant part of the government's economic stimulus initiative. BER is a \$16.2 billion AUS investment that provides world-class educational facilities, through new infrastructure and refurbishments, to all eligible Australian schools.

South America workforce projects, especially in the growing mining sector, also brought success to the company in 2009. ASL's operations in Chile, through its South American joint-venture, Tecno Fast ATCO S.A., produced record profits from several large construction projects while the company marked its first full year of operations in Peru.

In 2009, work was completed on a permanent accommodation hotel-style camp at the Esperanza copper mine about 1,400 kilometres north of Santiago, Chile. The complex, which houses 1,200 people, includes recreation, kitchen, dining, fitness, administration and other facilities.

Esperanza is a new copper mine owned by Antofagasta Minerals which also owns the Los Pelambres mine where, in 2001, Tecno Fast ATCO built a hotel-style complex about half the size of the Esperanza project.

The company also completed the 3,400-bed Codelco Saladillo dormitory-style project at a copper mine located 80 kilometres northeast of Santiago.

In Peru, an initial 504-bed pioneer camp was completed in 2009 for the Toromocho Copper mine project outside of Lima. Work has now shifted to a second permanent camp called Pachachaca. It will house 2,688 beds in modular units made up primarily of two-storey dormitory complexes. Manufacturing commenced in December 2009 with a site completion expected in November 2010.

#### PHOTO (RIGHT)

ATCO Frontec Europe Ltd., a subsidiary of ATCO Structures & Logistics, specializes in providing camp and logistics services to the military, including airfield operations. It has partnered with NATO and non-government organizations to provide infrastructure services in some of the world's most challenging and remote environments.





In 2009, ASL also formed a number of new partnerships and opened new offices and facilities across North America.

The year also marked a joint-venture with the Woodland Cree First Nation in Alberta to explore opportunities in the Peace River oilsands region, and a Memorandum of Understanding was signed with the George Gordon First Nation in Saskatchewan to explore opportunities. As well, ASL received approval to build a work camp in Wabasca, Alberta, and to build and operate an open camp to serve the Estevan region of southeast Saskatchewan.

In Alberta, Creeburn Lake Lodge and Barge Landing Lodge achieved solid occupancy rates despite the economic downturn in the oilsands. The projects are joint-venture partnerships between ASL and the Fort McKay First Nation north of Fort McMurray.

In Winnipeg, Manitoba, the company established a new sales and distribution centre for its modular buildings. The move fully returned the modular structures to Winnipeg after a 14-year absence. ASL also established offices in Toronto, Ontario; Tulsa, Oklahoma; Anchorage, Alaska and Albany, New York.

The new branch office in Alaska coincided with the construction of a 78-person work camp for a gold mine south of Fairbanks. The design and quality of ATCO's workforce housing products were originally proven in Alaska in the 1960s when the company provided workforce housing along the Alyeska pipeline. Those early units were capable of withstanding extreme temperatures and winds of more than 190 kilometres per hour.

Today, the modular structures are internationally recognized and can be used for a variety of innovative purposes. In 2009, Urban Space was launched to offer a flexible, low-cost permanent building solution. These permanent modular structures can meet a variety of building requirements, such as schools, daycares, medical clinics, seniors housing, recreational facilities, banks and hotels. The buildings can also be designed and engineered to meet green building standards.

**PHOTO (BELOW)**

The air-cooled condenser at the Astoria Energy Center in New York is only 33m from Steinway & Sons' piano tuning room. ASL designed and supplied acoustical treatments and guaranteed compliance to strict octave band noise limits at the 545 MW gas-fired plant.





ASL continued to develop its expertise in the provision of support to military operations for the Canadian Department of National Defence (DND), the United States Air Force and NATO worldwide. For DND, an ASL joint-venture maintains the North Warning System, which is a series of radar stations across the Canadian Arctic that provide surveillance of airspace. For the U.S. Air Force, an ASL joint-venture maintains the Alaska Radar System. For NATO, ASL provides support to military operations in Kosovo, Bosnia and Afghanistan. The company's NATO contracts for Kosovo and Bosnia were renewed in 2009 while the contract for the Kandahar Airfield in Afghanistan was expanded.

Throughout the year, the company provided support services to more than 20,000 troops and civilian contractors serving NATO's International Security Assistance Force in Afghanistan. This is an increase of approximately 8,000 since the contract was first awarded in 2007.

Services supplied include fire and crash rescue, visiting aircraft cross-servicing, roads and grounds maintenance, facility maintenance, construction, engineering, equipment and vehicle maintenance, aircraft movement control and terminal transport, accommodation services, supply operations, airfield mechanical transport, delivery of potable water, sewage management, and waste management and disposal.

In North America, the noise reduction arm of ASL reported its most profitable year ever. A major contract to silence a power plant in New York City and one in Ontario contributed to this success.

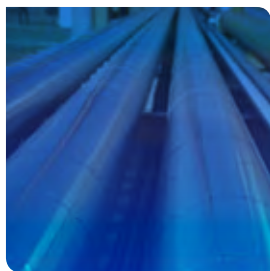
A new environmental product was added to the turbine exhaust silencing line of business. Selective Catalytic Reduction Systems (similar to a catalytic converter used to reduce automobile emissions) will allow power plants to reduce nitrogen oxide and carbon monoxide emissions and operate more efficiently.

2009 was a landmark year for ATCO Structures & Logistics; setting the stage for an era of new opportunities.

**PHOTO (RIGHT)**

ASL engineered and fabricated the Goreway Station exhaust system for SNC-Lavalin Power Ontario to meet strict noise and emission requirements.





# Utilities

ATCO ELECTRIC | ATCO GAS | ATCO PIPELINES





The Utilities business segment includes ATCO Electric, ATCO Gas and ATCO Pipelines. These companies are focused on the safe, reliable and efficient transportation and distribution of natural gas and electricity.

(ABOVE, LEFT TO RIGHT)

**SETT POLICICCHIO**  
President, ATCO Electric

**BRIAN HAHN**  
President, ATCO Gas

**BRENDAN DOLAN**  
Senior Vice President &  
General Manager,  
ATCO Pipelines

**PHOTO (LEFT)**

Pipe rack at the ATCO Pipelines salt caverns natural gas storage facility and plant near Fort Saskatchewan. These facilities ensure natural gas service is available to all customers 365 days per year.

## ATCO ELECTRIC

ATCO Electric builds, operates and maintains a safe, reliable network of transmission and distribution power lines to homes, farms and businesses in cities, towns and Aboriginal communities across Alberta. The company serves nearly 207,000 customers in 245 communities spanning 65 per cent of Alberta, with service areas in the northern and east-central areas of the province. These resource-rich areas play an essential role in Alberta's industrial development.

ATCO Electric operates and maintains nearly 70,000 kilometres of transmission and distribution power lines and operates approximately 12,000 kilometres of distribution power lines on behalf of Rural Electrification Associations (REAs). The company has been serving this challenging, diverse territory for more than 80 years.

In 2009, ATCO Electric was authorized to prepare a facilities application to build and operate a new high-voltage transmission line along an eastern corridor in Alberta. The line will connect an area north of Edmonton to a southern hub in the Brooks area.

The transmission infrastructure project coincides with the Alberta Electric System Operator's (AESO) Long-term Transmission System Plan. The transmission lines proposed in the plan will form the backbone of the transmission system for decades to come, providing reliable electricity service



for Albertans and supporting future economic development in the province. The transmission lines proposed in the AESO's plan calls for \$8.1 billion in critical transmission infrastructure to be built over the next five years.

As a result of the extensive transmission infrastructure growth in Alberta, ATCO Electric continues to invest a significant amount of capital, totaling nearly half a billion dollars in 2009 alone. The company completed construction of the \$185 million Brintnell-Wesley Creek 240 kilovolt transmission line, strengthening the electrical grid in northwest Alberta. This major 226-kilometre transmission project was commissioned in early 2010.

ATCO Electric continues to aggressively recruit new employees to support its growth. In 2009, the company hired 258 new employees to undertake the significant projects planned.

The Alberta utility industry's first hybrid maintenance vehicle was introduced by ATCO Electric in the Grande Prairie region. The new bucket truck operates on electricity and diesel, which lowers

emissions by approximately 70 per cent and reduces fuel consumption by up to 60 per cent. While operating on electric power, the unit is significantly quieter than a standard diesel-powered bucket truck, producing up to 80 per cent less noise.

Ongoing technology and work process enhancements continued to improve how ATCO Electric operates its business. In 2009, ATCO Electric rolled out its new Work Force Management System and Outage Management System, improving efficiency and response time for customers. These new systems allow ATCO to improve work prioritization and better track outages. Implementation of these new processes will enable the company to provide exceptional customer service and enhance the company's pursuit of operational excellence.

**PHOTO (BELOW)**

ATCO's new hybrid maintenance vehicle.





## North of 60 Companies

For more than a century the ATCO Group of Companies has been building mutually beneficial relationships with northern partners. ATCO's numerous partnerships have created many successful businesses. ATCO is committed to the North and believes in supporting the communities where we live and work.

### Northland Utilities

Northland Utilities has been lighting up the North for more than half a century. Northland serves nine communities and the majority of customers in the Northwest Territories, including Yellowknife and Hay River. Northland Utilities is a full-service company providing retail, distribution, transmission and generation services to its customers. Northland Utilities has two operating divisions - Northland Utilities (NWT) Limited and Northland Utilities (Yellowknife) Limited.

### Yukon Electrical

Yukon Electrical Company Limited has been providing electrical service to Yukoners for more than a century. Chartered in 1901, the pioneer company began generating electricity for the residents of Whitehorse using a wood-fired, horizontal piston steam engine. Since then, Yukon Electrical has grown to serve more than 15,000 customers in 19 communities from south of the Yukon border to north of the Arctic Circle. The company's head office and service centre is in Whitehorse.

In 2009, Yukon Electrical renewed its air emissions permit for its diesel-fired power plants for a further three years. The company also signed an agreement with the community of Old Crow to allow the use of residual heat from the Yukon Electrical power plant for heating of nearby residential buildings and a future recreational facility in the community.

#### PHOTO (RIGHT)

ATCO Electric Serviceman, Dean Fox, replaces a transformer near Vegreville.



## ATCO GAS

**ATCO Gas builds, operates and maintains a safe, reliable, and cost-effective network of natural gas distribution pipelines of nearly 38,000 kilometres and provides service to municipal, residential, business and industrial customers.**

ATCO Gas is Alberta's largest natural gas utility serving more than one million customers in nearly 300 Alberta communities.

Strong natural gas utility asset growth continued in 2009, with capital expenditures of \$190 million. The company expanded its fleet of operations centres, while raising the bar for sustainable building practices. ATCO Gas opened its Viking Operations Centre, equipped with geo-exchange heating technology that draws heat energy from the earth to reduce the company's environmental footprint. The new 518 square metre ATCO facility at Viking, Alberta includes heat-exchanger pipes installed into 14 bore holes drilled 61 metres deep. It also contains energy-efficient lighting, insulation and a high-efficiency water heater. The building has been designed to reduce carbon dioxide emissions on site by approximately 15 tonnes annually.

ATCO Gas and the City of Airdrie participated in a sod-turning ceremony to celebrate the start of construction of another ATCO Gas operations centre. The new building will be the first commercial geo-exchange facility in Airdrie and the third in Canada making use of natural gas-fueled pumps in its heating and cooling system. Scheduled to open in late fall 2010, the 1,400 square metre facility will use state-of-the-art geo-exchange technology, reinforcing ATCO Gas' pledge to minimize its environmental footprint.

Steady growth and demand in the Peace River Region also led to the opening of a spacious new operations centre in Peace River. The building was designed to better serve customers, reduce response time and optimize work flow, with room to grow.

The company also continued its multi-year Meter Relocation and Replacement Project. In addition to providing easier access to gas meters to ensure accurate, timely billing, the project improves safety for meter readers. Approximately 10,000 natural

### PHOTO (BELOW)

ATCO Gas has the facilities and capabilities to better serve its customers in Viking and area through ATCO's new Viking Operations Centre.





gas meters were moved to the outside of homes in 2009 and most residential below-ground moves from inside to outside buildings are scheduled to be completed by the end of 2010.

Safety continues to be paramount for ATCO Gas. 2009 was the company's most successful year for damage prevention, with only 2.8 damages to natural gas lines per 1,000 locates. This represents a 22 per cent reduction in damages to natural gas lines from 2007 and a 45 per cent reduction since 2003. In the fall, the company also launched a province-wide campaign aimed at increasing meter-reader safety and educating customers on carbon monoxide prevention.

### ATCO Blue Flame Kitchen

The ATCO Blue Flame Kitchen has been dishing up household advice and recipes in the province of Alberta for 80 years. This provides ATCO Gas the unique opportunity to connect and engage directly with customers in their homes and offer energy efficiency, conservation and safety information. Over the years, the Blue Flame Kitchen has continued to promote the values of safety, efficiency and sustainability through regular newspaper and television spots, seasonal cookbooks, toll-free telephone advice, outreach activities and a website located at [www.atcoblueflamekitchen.com](http://www.atcoblueflamekitchen.com).

In 2009, a Red Seal Chef was hired to offer a new area of expertise, provide advice on healthy eating for busy families and offer tips on cooking and kitchen safety.

### ATCO EnergySense

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 experts have handled more than 168,000 energy management requests and completed approximately 49,000 residential energy assessments, resulting in the potential reduction of more than 46,000 tonnes of greenhouse gas emissions annually.

#### PHOTO (RIGHT)

Bruce Legault, Supervisor, Customer Service, completes a furnace inspection to help prevent carbon monoxide in the home.



## ATCO PIPELINES

ATCO Pipelines has been an integral part of Alberta's provincial natural gas transmission system for nearly a century, with peak delivery of 3.8 billion cubic feet per day. ATCO Pipelines' transportation customers can access the markets of their choice through the company's innovative, flexible and cost-effective transportation solutions.

ATCO Pipelines provides natural gas transportation services to producers, marketers, industrial customers and gas distribution companies in Alberta. It owns and operates 8,563 kilometres of pipeline with 190 receipt points and more than 4,000 delivery points.

As announced in 2008, ATCO Pipelines reached a proposed agreement with TransCanada Corporation's wholly-owned subsidiary, NOVA Gas Transmission Ltd. (NGTL), to integrate their service and systems in Alberta and has since proceeded with the necessary regulatory applications. As part of this process, ATCO Pipelines successfully negotiated a settlement for revenue requirements with customers for 2010-2012. In addition, ATCO Pipelines and NGTL have filed separate applications

with their respective regulators, the Alberta Utilities Commission and the National Energy Board, to allow the two companies to proceed with a single commercial customer interface concept and begin the necessary transfer of assets.

Each company will manage its own pipeline facilities within distinct operating territories going forward. The two companies will request a satisfactory opinion under the provisions of the Competition Act. Once approved and implemented, this agreement will deliver seamless natural gas transmission service to customers throughout Alberta.

ATCO Pipelines' capital expenditures for 2009 were \$87.7 million, including an expansion in southeast Calgary. This significant pipeline enhancement now provides increased gas service for upcoming housing developments in the area. Major directional drilling under roadways was required, including Deerfoot Trail at Highway 22X, to add nearly four

### PHOTO (BELOW)

A transmission operator performs routine activities at the ATCO Pipelines South Calgary Control Station where the Priddis and South Mainline natural gas pipelines interconnect.





kilometres of 406 mm pipeline to the existing Priddis line in order to connect to ATCO Gas' new gate station. Several tie-ins were also completed and new measurement facilities were installed.

ATCO Pipelines replaced its Supervisory Control and Data Acquisition (SCADA) and real-time model (RTM) systems in 2009. The SCADA system is used to monitor and control flows in the gas transmission system to ensure the safe, reliable delivery of natural gas, while the RTM supports the SCADA system by providing additional information along the pipeline and is used to identify and forecast hydraulic system anomalies to help optimize pipeline design and operation.

**PHOTO (RIGHT)**

An ATCO Pipelines transmission operator inspects a rain cap on a pressure relief stack.

**PHOTO (BELOW)**

ATCO Pipelines owns and operates 8,563 kilometres of pipeline in Alberta.





# Energy

ATCO POWER | ATCO MIDSTREAM | ATCO ENERGY SOLUTIONS







The Energy business segment includes ATCO Power, ATCO Midstream and ATCO Energy Solutions. These companies are engaged in power generation and natural gas gathering, processing, storage and liquids extraction.

(ABOVE, LEFT TO RIGHT)

**RICK BROUWER**  
President, ATCO Power

**KEVIN CUMMING**  
President, ATCO  
Midstream

**TONY SALTERS**  
Vice President &  
General Manager,  
ATCO Energy Solutions

**PHOTO (LEFT)**

The water treatment facility at ATCO Power's Sheerness generating station near Hanna, Alberta, purifies water used for the generation of electricity.

## ATCO POWER

ATCO Power is a world-class developer, construction manager, owner and operator of technologically advanced and environmentally progressive independent power generation plants in Canada, the United Kingdom and Australia.

With a combined capacity of approximately 4,885 megawatts (MW), ATCO Power operates 19 generating facilities: 16 facilities fueled by clean natural-gas, one emissions-free hydroelectric facility and two coal-fired plants.

In March 2009, ATCO Power celebrated the start of construction of its 20th generating facility. The new 86 MW power station in Karratha is the company's first project in Western Australia where significant new mining and oil and gas activity offer long-term growth opportunity.

The Karratha Power Station, owned and operated by ATCO Power, will supply electricity to residential and business consumers on the Pilbara North West Interconnected System (NWIS) under a long-term contract with state-owned Horizon Power. The station is directly adjacent to Horizon's 132 kilovolt substation giving it a direct link into the local network.

The project, located 1,600 kilometres north of Perth, is the most efficient gas-fired power station in the region. The Karratha Power Station is capable of generating the same amount of electricity as a similar sized station, yet uses 35 per cent less gas, reducing carbon dioxide emissions by



the same 35 per cent. Advanced technology also further reduces other pollutants such as nitrous oxide and sulphur dioxide.

The new station will have an initial capacity of 86 MW but it has been designed to allow for future expansion to meet growing needs in the area. Full operation is expected by the second quarter of 2010.

In Alberta, ATCO and TransCanada Corporation are exploring the opportunity to develop a hydroelectric project on the Slave River, near the Alberta-Northwest Territories border. The preliminary assessment phase confirmed the initial economic viability of a 1,000 – 1,500 MW low-head, run-of-river facility 20 kilometres south of the town of Fort Smith. ATCO and TransCanada are working with local communities to assess the project's environmental, social and economic feasibility.

2009 was a challenging year for ATCO Power due to economic conditions in its markets. Alberta Power Pool electricity rates averaged \$47.81 per megawatt hour (MWh) in 2009 compared to \$89.95 per MWh in 2008. Lower natural gas prices and changes in the price of electricity resulted in an average Spark Spread of \$19.58 per MWh in 2009, compared to \$32.00 per MWh in 2008.

ATCO Power implemented a number of initiatives to address the changing market conditions, including cost reductions, improved operational efficiencies and a review and adoption of new industry best practices.

At the 480 MW co-generation facility in Joffre, Alberta, new processes were tested and implemented to increase flexibility during operation of the steam turbine, optimizing asset efficiency during periods of

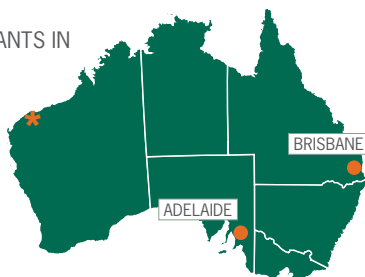
## ATCO POWER – A Leader In Power Generation Worldwide

ATCO Power and its joint venture partners, operates and owns 19 power plants in Canada, the United Kingdom and Australia.

2 ●  
POWER PLANTS IN  
UNITED KINGDOM

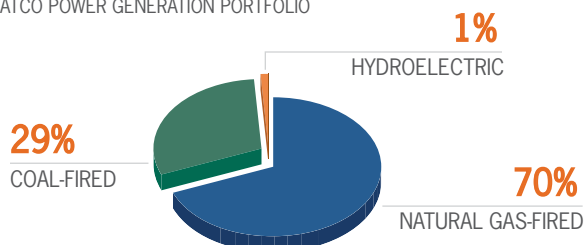


2 ●  
POWER PLANTS IN  
AUSTRALIA



\* Karratha opens in 2010

ATCO POWER GENERATION PORTFOLIO



ATCO POWER GENERATING CAPACITY

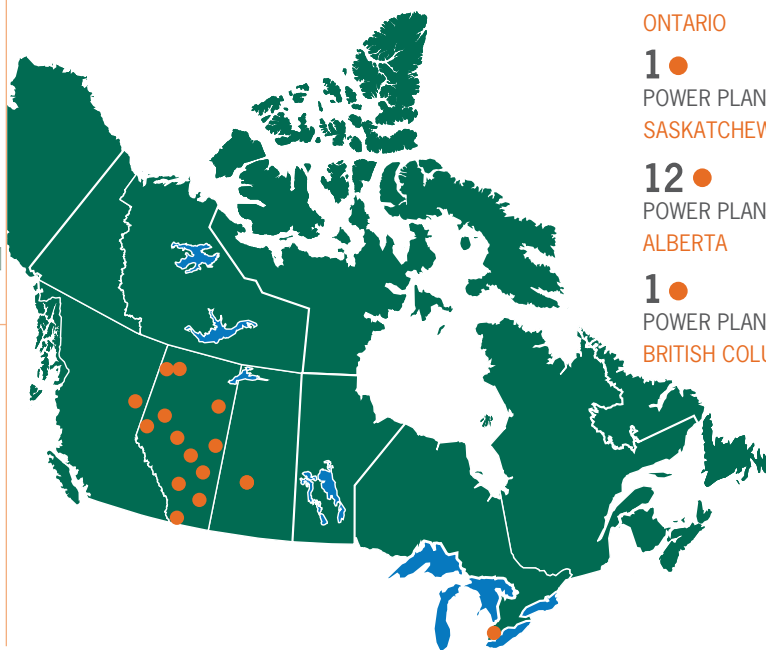
	2009
Generating capacity operated (MW)	4,885
Generating capacity owned (MW)	2,732

1 ●  
POWER PLANT IN  
ONTARIO

1 ●  
POWER PLANT IN  
SASKATCHEWAN

12 ●  
POWER PLANTS IN  
ALBERTA

1 ●  
POWER PLANT IN  
BRITISH COLUMBIA



low power prices. Intense focus on managing both planned and unplanned outages at facilities led to improved results.

In 2009, major preventive maintenance programs were undertaken in Alberta at ATCO's 670 MW Battle River Generating Facility in Forestburg and at the 760 MW Sheerness plant in Hanna. At the Battle River facility, new air heater rotary seals were installed, reducing emissions.

In August, Alberta Power (2000) received a judgment from the Tax Court of Canada ordering the Canada Revenue Agency to reverse its 2006 reassessment of Alberta Power's 2001 tax return. The 2006 reassessment treated the proceeds received from the sale of the H.R. Milner generating plant to the Alberta Balancing Pool as income rather than a sale of an asset. The impact of the judgment is an \$8.8 million increase in ATCO earnings after non-controlling interests and a refund of approximately \$28 million.

ATCO Power also actively participated in extensive consultation with the Alberta and Canadian governments, as well as other industry participants, regarding the development of environmental policy during the year that included regulations for greenhouse gas (GHG) emissions, nitrogen oxides, sulphur dioxide and particulate matter.

## ASHCOR Technologies

ASHCOR markets the coal combustion products from ATCO Power's coal-fired generating stations in Alberta. By collecting the fly ash produced, and using it in new cementing materials, ASHCOR achieves two environmentally significant results: it captures a by-product that would normally go to a reclamation site and uses it in other construction material applications.

### PHOTO (RIGHT)

ATCO Power's 20th power generating station in the world, the 86 MW Karratha Power Station in Western Australia will provide electricity supply and stability to the resource-intense region of Australia.





## ATCO MIDSTREAM

ATCO Midstream provides natural gas gathering, processing, storage and liquids extraction to the Canadian natural gas sector. ATCO Midstream focuses on what it does best – creating customized solutions and lasting customer relationships by drawing on a proven track record and a partnership approach to business.

Since 1992, the company has played a significant role in the gas industry in Alberta and Saskatchewan. Assets include 10 natural gas gathering and processing facilities and four natural gas liquids extraction facilities. The company provides innovative natural gas storage services with more than 40 billion cubic feet of capacity available. It is active in Canada's North as a partner in the Inuvik Gas Project – the first natural gas development project north of the Arctic Circle.

2009 marked a year of record earnings, multiple expansion projects in Saskatchewan, and a company-wide focus on improving efficiencies to better serve customers.

In Alberta, the natural gas gathering and processing business was negatively affected by reduced year-over-year drilling activity in the province. To take advantage of increased business activity in Saskatchewan, ATCO Midstream participated in the expansion of the processing capacity of the Nottingham Gas Plant in southeastern Saskatchewan from 13 million cubic feet per day (mmcf) to 18 mmcf. ATCO Midstream's share of the expansion was 0.5 mmcf, boosting the company's total capacity at the facility to 1.4 mmcf.

The associated Wolstimon Gathering System was also expanded when 13 kilometres of gathering pipelines and a compressor station were added to gather flared solution gas to the Nottingham Gas Plant.

Construction activities commenced in November 2009 to more than double the processing capacity at the Kisbey Gas Plant, located in southeastern Saskatchewan. A 50-50 joint-venture with Bayhurst Energy Services Corporation, capacity will be increased from two to five mmcf, and 80 kilometres of new gathering pipelines and three compressor





stations will be added. The expansion will be commissioned in 2010. The expansion gathers flared solution gas in order to conserve and upgrade a valuable non-renewable resource.

ATCO Midstream also carried out a major initiative to improve efficiencies to deliver improved value to customers. With most costs traditionally flowing directly through to customers, the line-by-line, plant-by-plant effort allowed the company to increase its long-term competitive position while delivering increased benefits to the customers it serves.

It was also a very strong year for natural gas storage at the Carbon facility in Alberta. Natural gas prices were volatile, resulting in stronger than normal storage differentials.

ATCO Midstream owns a net working interest of 411 mmcf/d of processing capacity in its natural gas liquids extraction plants. In 2009, low frac spreads (the difference between the price of natural gas and the value of the liquids extracted) had a negative impact compared to 2008 when the spreads were higher.

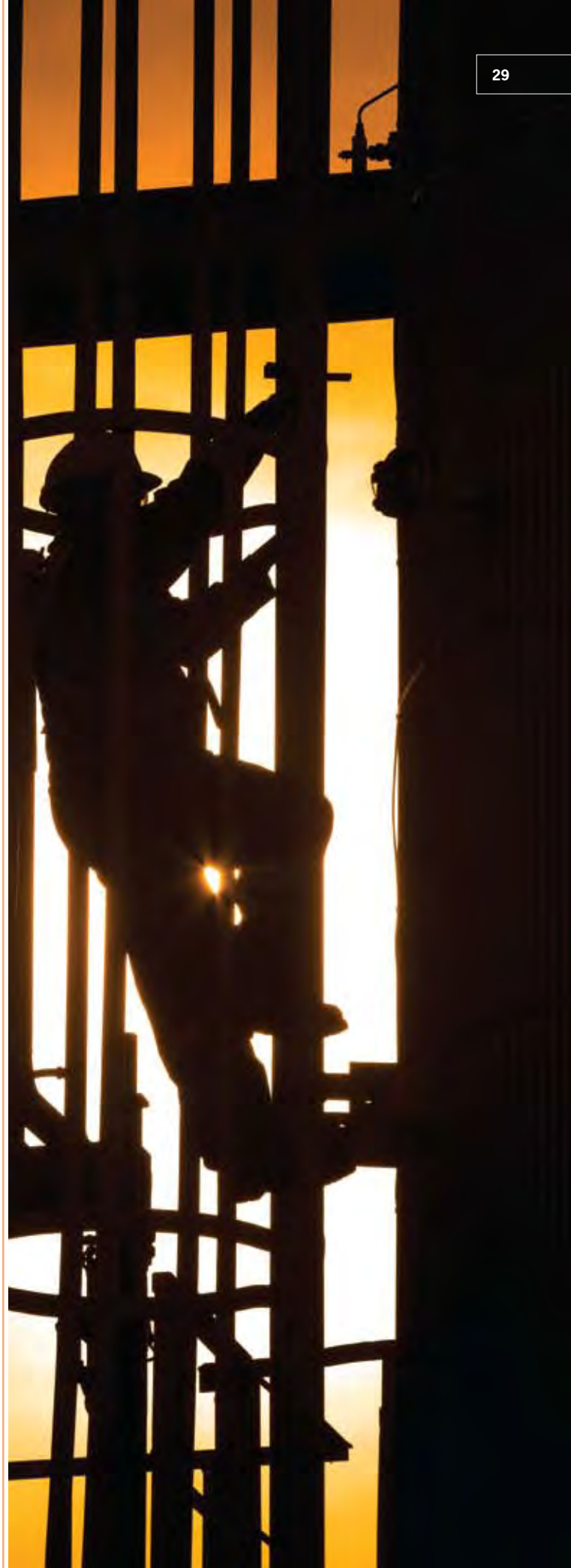
The company also focused on sustainable energy projects. ATCO Midstream achieved greenhouse gas reductions at several facilities through a company-wide fuel gas reduction initiative. One example was the installation of a more energy-efficient heater at the Golden Spike facility in Alberta resulting in a greenhouse gas (GHG) emissions reduction of 370 tonnes of CO<sub>2</sub> equivalent per year.

**PHOTO (LEFT)**

ATCO Midstream is an owner and the operator of the Empress Gas Liquids Joint-Venture Straddle Plant. The facility extracts natural gas liquids from the gas on the TransCanada Pipelines Alberta system as the gas crosses the Alberta-Saskatchewan border near Empress, Alberta.

**PHOTO (RIGHT)**

An employee at the Empress Gas facility is caught in the sunset as he makes his way down a ladder.



## ATCO ENERGY SOLUTIONS

ATCO Energy Solutions offers value-added infrastructure solutions to both municipal and industrial customers, including pipelines, water and wastewater treatment, and hydrocarbon storage, including hydrogen.

In 2009, ATCO Energy Solutions focused on building, owning and operating non-regulated electric transmission assets and executing on its pipeline, storage and water initiatives.

Growth in heavy-oil processing in Alberta will create an increased demand for hydrogen, which is used to remove sulphur to achieve cleaner-burning end-product fuels and to meet environmental standards. In 2009, ATCO Energy Solutions and Praxair Canada Inc. announced they are pursuing the development of hydrogen storage and pipeline infrastructure. They are also assessing an expansion of Praxair's hydrogen pipeline network in the Alberta Industrial Heartland to support the significant projects planned for the area.

### PHOTO (BELOW)

ATCO Energy Solutions commissioned a new substation in 2009 that will provide power to an expansion of the Scotford upgrader near Fort Saskatchewan, Alberta.

Currently, Praxair owns and operates the only existing hydrogen pipeline network in Alberta.

Throughout 2009, ATCO Energy Solutions installed and commissioned new power transmission and substation equipment at the Scotford industrial complex near Fort Saskatchewan, Alberta. The company also acquired power transmission facilities at the Muskeg River and Jackpine Mine sites north of Fort McMurray this past year.

## ATCO Water

ATCO Water, a division of ATCO Energy Solutions, focuses on building, owning and operating water and wastewater infrastructure and facilities for industrial and municipal customers.

In 2009, ATCO Water was selected by the towns of Three Hills and Trochu to develop a long-term partnership for the delivery of regional water and wastewater services. Under the proposed partnership, ATCO Water would purchase a minority ownership interest in the integrated water and wastewater systems of both communities, manage the merged operations, and provide capital for future infrastructure.





**ROBERTA (BOBBI) LAMBRIGHT**  
President, ATCO I-Tek

## ATCO I-TEK

**ATCO I-Tek delivers exceptional billing flexibility, superior customer care, and reliable information technology solutions to a diverse group of clients that operate in Canada, the United States, and around the world. Headquartered in Edmonton, it is a disciplined business-to-business service provider with proven processes and controls.**

In 2009, ATCO I-Tek and ATCO Group Human Resources implemented HRXcellence across the group of companies. It marked the culmination of two years of work by people from each of ATCO's principal operating subsidiaries.

HRXcellence represents a significant investment in the future of ATCO's people as it provides a modern human resource and payroll management system to sustain and grow ATCO's businesses in the future. The



**PHOTO** ATCO I-Tek produces and delivers approximately 11.8 million customer statements for energy and utility clients every year.

initiative ensures that ATCO can meet the unique needs and complexities of each of its companies. HRXcellence will allow ATCO's operating companies to better manage all aspects of employee resources and it enables new possibilities for employee career development and inter-company movement.

In 2009, clients of ATCO I-Tek benefited from the implementation of software to leverage the use of common data and functionality across multiple business systems. This real-time integration allows businesses to operate more efficiently with more timely, accurate information.

For example, ATCO's utility companies, ATCO Gas and ATCO Electric, are able to leverage data and functionality across three major business systems. The ATCO Customer Information System billing system shares customer and site information

with the ATCO utility work order and work force management systems. This means that front-line service personnel serving customers on-site and customer care staff answering calls are able to share and use current, consistent data to serve customer needs from end-to-end in a timely fashion.

In 2009, ATCO I-Tek's Customer Support Centre handled in excess of 81,000 IT client requests and achieved a customer satisfaction rating of 97 per cent for problem resolution.

ATCO I-Tek also entered into a strategic partnership with Wipro, a business process outsourcing organization to provide delivery of call centre services. This partnership gives ATCO I-Tek the ability to access an international service delivery centre, effectively expanding service delivery to enhance competitiveness and offer more flexibility to clients.



# Financial Excellence 2009

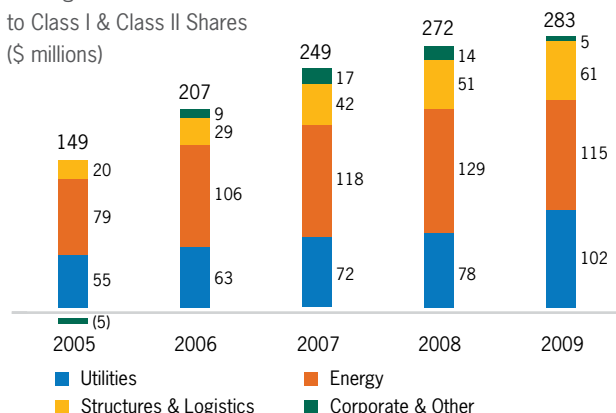


**Brian R. Bale**  
Senior Vice President &  
Chief Financial Officer

ATCO's record earnings in 2009 of \$283.3 million (\$4.89 per share), an increase of 4% compared to 2008, were attributable to cost efficiencies throughout the organization and higher utility investment in rate base. ATCO's adjusted earnings in 2009 were \$278.4 million (\$4.81 per share) compared to \$266.3 million (\$4.61 per share) in 2008.

Due to the diverse nature of ATCO's operations and inclusion in revenues of certain costs that are flow through in nature (particularly natural gas), changes in revenues are not necessarily indicative of changes in earnings. Revenues in 2009 were \$3,108.9 million compared to \$3,265.6 million in 2008. The decrease is primarily due to lower power prices in the Alberta electricity market, lower U.K. exchange rates and lower NGL prices and volumes in the Energy segment. Changes in accounting for rate regulated operations and lower sales of natural gas purchased for third parties by ATCO Midstream also decreased revenues but did not impact earnings. The decreases were partially offset by the impact of increased rate base in ATCO Electric and ATCO Gas and higher storage revenues in ATCO Midstream.

Earnings Attributable  
to Class I & Class II Shares  
(\$ millions)



CONSOLIDATED HIGHLIGHTS	2009	2008
(Millions of Canadian dollars, except as indicated)		
<b>INCOME STATEMENT</b>		
Revenues	3,108.9	3,265.6
Earnings		
Utilities	102.1	78.0
Energy	114.6	128.7
Structures & Logistics	61.6	51.0
Corporate & Other and Eliminations	5.0	14.5
Earnings	283.3	272.2
Adjusted earnings <sup>(1)</sup>	278.4	266.3
<b>BALANCE SHEET</b>		
Cash <sup>(2)</sup>	1,020.2	848.1
Total Assets	9,954.6	8,669.2
Capitalization		
Long Term Debt	3,138.7	2,886.4
Non-recourse Long Term Debt	439.2	507.8
Preferred Shares	150.0	150.0
Non-controlling Interests	2,230.2	1,947.9
Share Owners' Equity	2,009.6	1,770.1
Capitalization	7,967.7	7,262.2
<b>CASH FLOW STATEMENT</b>		
Funds Generated by Operations <sup>(3)</sup>	935.1	923.5
Capital Expenditures		
Utilities	776.1	852.6
Energy	150.6	117.8
Structures & Logistics	40.9	90.1
Corporate & Other	19.2	21.3
Capital Expenditures	986.8	1,081.8
<b>RATIOS</b>		
Return on equity <sup>(4)</sup>	15.0	16.3
Earnings per share <sup>(5)</sup>	4.89	4.71
Adjusted Earnings per share <sup>(5) (1)</sup>	4.81	4.61
Dividends paid per share <sup>(5)</sup>	1.00	0.94
Equity per share <sup>(5)</sup>	34.52	30.64
Class I Non-Voting closing share price <sup>(5)</sup>	46.17	38.00
Class II Voting closing share price <sup>(5)</sup>	45.84	38.46

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

- (1) Adjusted earnings are defined as earnings attributable to Class I and Class II shares after adjustment for items that are not in the normal course of business nor a result of day to day operations. The adjustments in 2009 related to H.R. Milner tax reassessment (\$8.8 million) and mark-to-market adjustment (\$3.9 million). 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 the Reconciliation of Earnings Attributable to Class I and Class II Shares and Adjusted Earnings section of ATCO Ltd.'s Management's Discussion and Analysis.
- (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.

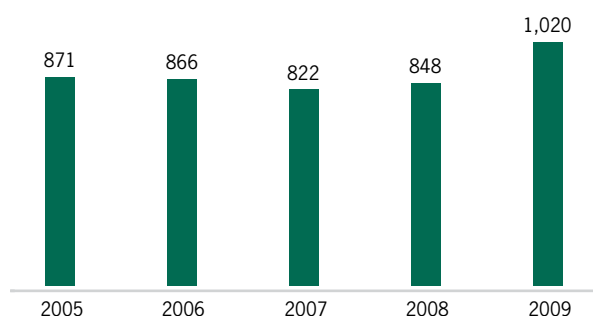
# ATCO Ltd.

## CONSOLIDATED FIVE-YEAR OPERATING SUMMARY

(Millions of Canadian dollars, except as indicated)	2009	2008	2007	2006	2005
<b>UTILITIES</b>					
<b>Natural gas distribution operations</b>					
Capital expenditures <sup>(1)</sup>	189.6	249.7	191.6	167.4	174.0
Pipelines (thousands of kilometres)	37.7	37.2	36.5	35.9	35.4
Maximum daily demand (terajoules)	2,184	2,130	1,819	1,861	1,919
Natural gas distributed (petajoules)	250	238	233	219	216
Total system throughput (petajoules)	250	238	233	219	216
Average annual use per residential customer (gigajoules)	121	124	127	126	131
Customers at year-end (thousands)	1,037.4	1,022.2	1,001.8	969.9	939.6
<b>Electric distribution and transmission operations</b>					
Capital expenditures <sup>(1)</sup>	497.8	518.4	311.8	238.1	212.2
Power lines (thousands of kilometres)	72.1	71.5	70.9	70.1	69.2
Electricity distributed (millions of kilowatt hours)	10,431	10,594	10,744	10,286	9,926
Average annual use per residential customer (kWh)	7,671	7,666	7,690	7,495	7,214
Customers at year-end (thousands)	233.1	228.2	223.0	216.3	210.9
<b>Natural gas transmission operations</b>					
Capital expenditures <sup>(1)</sup>	87.7	81.7	87.1	97.7	84.3
Pipelines (thousands of kilometres)	8.6	8.4	8.4	8.4	8.3
Contract demand for pipelines system access (terajoules/day)	4,877	5,034	5,143	5,032	4,830
<b>ENERGY</b>					
Capital expenditures <sup>(1), (2)</sup>	150.6	117.8	56.8	56.9	45.0
Generating capacity operated (megawatts)	4,885	4,885	4,840	4,840	4,840
Generating capacity owned (megawatts)	2,732	2,732	2,687	2,695	2,695
Availability (%)	94.9	93.5	91.6	93.0	92.5
Natural gas processed (Mmcf/day)	401	435	478	480	476
Natural gas gathering lines (kilometres)	1,000	1,000	1,000	1,000	1,000
<b>STRUCTURES &amp; LOGISTICS</b>					
Capital expenditures <sup>(1), (2)</sup>	40.9	90.1	120.5	49.6	68.1
Workforce housing lease fleet (units in thousands)	2.4	2.3	2.3	2.4	2.7
Workforce housing lease fleet utilization (%)	74	80	86	89	70
Space rental lease fleet (units in thousands)	13.2	12.8	11.2	9.0	7.8
Space rental lease fleet utilization (%)	73	81	83	85	87

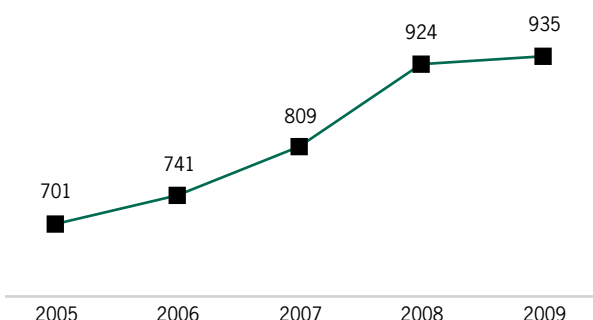
(1) Includes purchases of property, plant and equipment and intangibles.

(2) Prior year amounts restated to reflect the realigned segments.



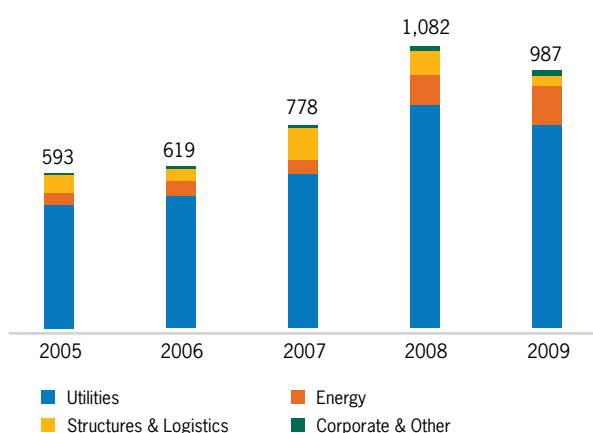
## Cash (\$ Millions)

ATCO's balance sheet remains strong and positions the company for future growth. Cash balances (as defined on page 32) of close to \$1 billion increased in 2009. The increase in cash occurred during a year in which capital expenditures were close to \$1 billion. During the year, a subsidiary of ATCO raised \$160 million of preferred share financing to fund the ongoing utility capital expenditures. Significant investments in utility infrastructure are expected to continue from 2010 to 2012.



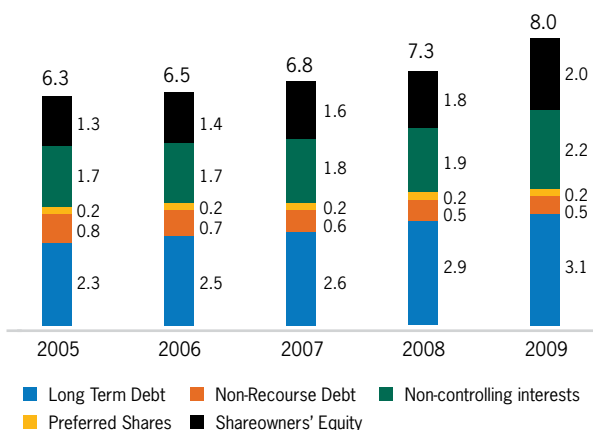
## Funds Generated by Operations (\$ Millions)

Funds generated by operations increased to \$935 million in 2009 compared to \$924 million in 2008. This increase was primarily attributable to higher cash earnings.



## Capital Expenditures (\$ Millions)

ATCO's capital expenditures for 2009 were \$987 million compared to \$1,082 million in 2008 reflecting the continued significant investments that were primarily attributable to the Utilities Segment. While 2009 capital expenditures in the Utilities Segment remain high by historic standards, a reduction from 2008 was experienced in natural gas distribution capital due to the economic slow down in Alberta. Capital expenditures to maintain capacity, meet planned growth, and fund future development activities are expected to be approximately \$1.4 billion in 2010. Capital expenditures for the Utilities operations for 2010 to 2012 are expected to be \$3.5 billion to \$4.5 billion.



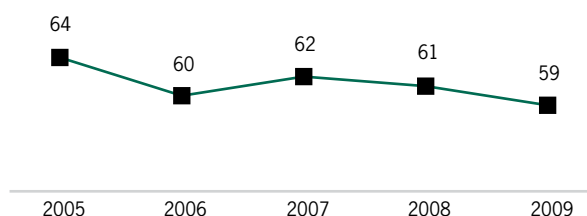
## Capitalization (\$ Billions)

ATCO's share owners' equity at the end of 2009, including Preferred Shares, was \$2.2 billion compared to \$2.0 billion in 2008. The Corporation's non-recourse debt has been reduced over the last five years to \$0.5 billion in 2009 from \$0.8 billion in 2005. The preferred shares have been redeemed by the Corporation in March 2010.



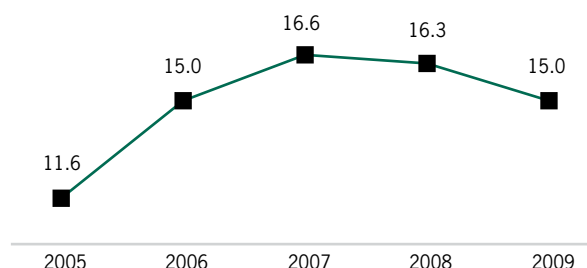
## Operating Expenses as a Percentage of Revenues (%)

Operating expenses (which include natural gas supply, purchased power, operation and maintenance, selling and administration expenses and franchise fees) as a percentage of revenues decreased to 59% in 2009 compared to 61% in 2008 as a result of focused efforts on cost control throughout the Corporation.



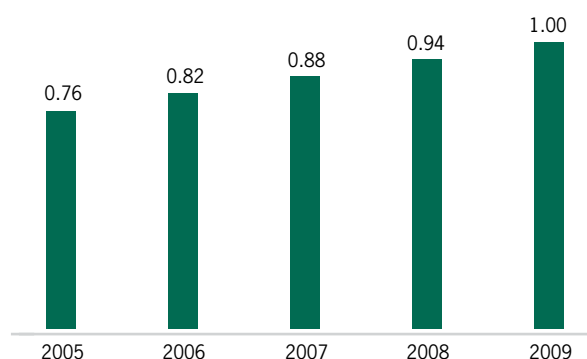
## Return on Equity (%)

Return on equity (ROE) for 2009 was 15.0% compared to 16.3% in 2008. The decrease compared to 2008 is largely attributable to ATCO's higher equity position. Higher equity has been maintained for the Corporation to fund the significant investments in the Utilities infrastructure that are expected from 2010 to 2012. The 15.0% ROE was achieved even with the Utilities approved ROE of 9.0% for 2009. Therefore, the overall ROE was driven by efficiencies and the results of the non-regulated entities in the Corporation.



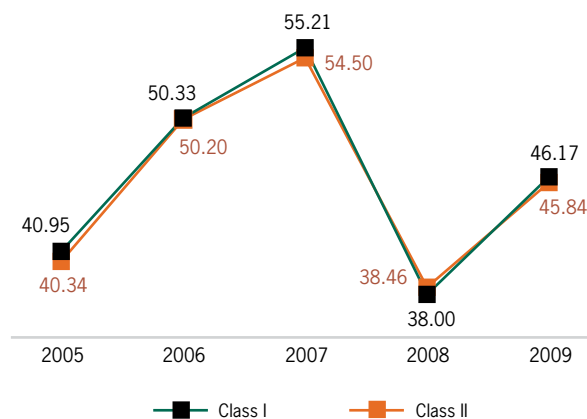
## Dividends per Share (\$)

Dividends paid to common share owners were \$1.00 per share in 2009 compared to \$0.94 per share in 2008. Dividends per share have increased each year since 1993 - 16 years.



## Share Price (\$)

The price of ATCO Class I and Class II shares, on the Toronto Stock Exchange, increased from the 2008 closing price. The closing prices for Class I and Class II shares at the end of 2009 were \$46.17 and \$45.84 respectively compared to \$38.00 and \$38.46 at the end of 2008, increases of 22% and 19% respectively.



# 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, 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**  
Deputy Chair, President & Chief Executive Officer



**B.R. Bale**  
Senior Vice President & Chief Financial Officer

February 17, 2010

# ATCO's Beautiful Alberta Heritage



ATCO Group has featured scenes of Alberta in annual reports since 1990, in recognition of its beautiful Alberta heritage.



# Health and Safety

At ATCO Power's Sheerness Generating Station, the dedication and commitment of employees to safety resulted in 3.1 million hours—or approximately nine years—worked without a lost-time injury.

## PHOTO (BELOW)

The ATCO Power Sheerness Safety Committee salutes 3.1 million hours worked—or approximately nine years—without a lost-time injury.

ATCO's unwavering commitment to excellence in health and safety practices was demonstrated by numerous awards the ATCO Group received in 2009.

Four ATCO companies – ATCO Pipelines, ATCO Midstream, ATCO Power and ATCO Noise Management (now ATCO Structures & Logistics) were recognized by the Government of Alberta and the Alberta Occupational Health and Safety Council for superior health and safety records. It was the fifth consecutive year that ATCO Power was recognized by the province for its safety practices and the sixth consecutive year for ATCO Pipelines.

ATCO Structures & Logistics' joint-venture partner, Tecno Fast ATCO S.A., was recognized by the Mutual de Seguridad (Chilean equivalent of the Canadian Workers Compensation Board), under the category of Industrial Manufacturers, for having the best safety record and program in Chile. The company's Escondida project also received the Esperanza Mine Safety Award for achieving 630,000 hours without an accident or lost-time incident. In



addition, a Minería Esperanza safety award was achieved for 165,000 hours without an accident or lost-time incident at its permanent mining camp and kitchen.

At ATCO Power's Sheerness Generating Station, the dedication and commitment of employees to safety resulted in 3.1 million hours—or approximately nine years—worked without a lost-time injury. The safety achievement is significant considering the plant is a heavy industrial setting that presents everyday challenges to most of the 122 ATCO employees and contractors.

The North of 60 companies had an outstanding year in 2009 related to health and safety. Northland Utilities (Yellowknife), Northland Utilities (NWT) and The Yukon Electrical Company each achieved a record of zero lost-time incidents.

Achieving a world-class safety culture is a continuing priority for ATCO Electric. In 2009, the company introduced a new safety campaign focused on the dangers of over-height farm equipment. ATCO Electric participates with Alberta's other major utility companies in the Joint Utility Safety Team to deliver Where's the Line powerline safety program. The company also introduced the Safety First, Always Program while achieving a new safety record of six months without a lost-time injury.

In 2009, safety continued to be paramount for ATCO Gas. ATCO Gas employee Terry Emslie, lead for the ATCO Gas Edmonton Damage Prevention group and a 28-year veteran with the company, received the Canadian Gas Association (CGA) Safety Leadership Award for his tireless commitment to the safety of fellow employees and the general public. The CGA's annual award recognizes individuals who make significant contributions to employee or public safety relating to the natural gas distribution industry in Canada.

Terry's damage prevention efforts were also recognized by ATCO Gas when he received the prestigious ATCO Gas Award of Excellence. Each year, this award goes to one ATCO Gas employee who shows outstanding achievement.

**PHOTO (RIGHT)**

An ATCO Gas employee identifies underground lines for a customer.





# ATCO Celebrates Excellence

Celebrating Excellence was the largest and most comprehensive youth development initiative ever undertaken by ATCO, and was intended to reflect the long-standing commitment to the communities where our people work and live.

ATCO reached out to every corner of Alberta in 2009 with a program to encourage more than 400,000 Alberta students to think about leadership and making a difference in their communities.

The Celebrating Excellence program, launched in the fall, resulted in 166 Alberta students being awarded a trip of a lifetime to the 2010 Winter Olympics in Vancouver. A boy and a girl, along with a parent or guardian, from every provincial Alberta constituency received the opportunity to build Olympic dreams while cheering on Canada's sports heroes in Vancouver. Another 83 students won the runner-up prize of a laptop computer.

The students, in Grades 4 through 12, submitted short compositions explaining how they pursue leadership in sports, arts, culture, education or community involvement.

ATCO received thousands of entries from young Albertans who care deeply about enhancing the quality of life in their communities and striving for excellence in their everyday lives. Entries included stories such as how they are contributing time to charities, volunteering in their communities,

## PHOTO (BELOW)

One group of student winners (and their guardians) in Vancouver for their day at the Olympics.





helping older neighbours and reaching out to immigrant newcomers.

The province-wide youth leadership initiative was undertaken in partnership with the Government of Alberta through its Olympic and Paralympic Secretariat. The Government of Alberta provided access to the tickets to Olympic sport and celebration events.

Students enjoyed an awe-inspiring day in Vancouver and came home with life-long memories. In addition to taking in an Olympic sport event, they were guests of the Government of Alberta at Alberta House in downtown Vancouver.

Celebrating Excellence was the largest and most comprehensive youth development initiative ever undertaken by ATCO, and was intended to reflect the long-standing commitment to the communities where our people work and live.

**PHOTO (RIGHT)**

Edmonton Celebrating Excellence winner, Kurtis Steendam, and his father Ralph, enjoy their day together at the Olympics in Vancouver.

**PHOTO (BELOW)**

David Chiu, a Celebrating Excellence winner from Calgary, shows off his patriotism at the Olympics.



# Investing in our Communities

ATCO and its people, through the company-wide ATCO Employees Participating in Communities (EPIC) program, donated \$2.7 million to more than 500 charities in our communities in 2009. It was an increase of \$400,000 over the previous year.

The program is a unique fundraising initiative where employees donate to the charity of their choice. Their donations to human health and wellness are then matched by the company. ATCO also absorbs all administration costs, ensuring that 100 per cent of the funds go directly to benefiting organizations.

#### PHOTO (BELOW)

Edmonton employees celebrating the tremendous success of the ATCO Employees Participating in Communities (EPIC) fundraising program (from left): Tami Christensen, ATCO Structures & Logistics; Rose Herman, ATCO Pipelines; Alastair Hill, ATCO Power; Lorinda Jeffrey, ATCO Electric; Mariann McPherson, ATCO I-Tek; Greg Degaust, ATCO Structures & Logistics.

It is encouraging that even at a time of economic uncertainty, the people of ATCO opened their hearts and wallets and gave generously so others can benefit. This compassion and sense of giving is a hallmark of the people of ATCO.

Other initiatives included:

ATCO Structures & Logistics, through its joint venture partner, Tecno Fast ATCO S.A., raised \$54,000 US for the Fundación Marecelo Astoreca, a school for underprivileged children in Lampa, Chile, the location of ASL's manufacturing plant just outside of Santiago.

In 2009, ATCO Electric established the Fort Vermilion Travelling Trades partnership with Fort Vermilion School Division. The company also co-hosted two community symposiums with ATCO Gas and the towns of Trochu and Viking benefiting local non-profit and community-services organizations.





ATCO Electric helped fund construction of the Demmitt Cultural Society Sustainable Community Centre and a new spray park in Gooseberry Provincial Park near Oyen. ATCO Electric and ATCO Gas helped "edu-tain" more than 20,000 students across Alberta with its highly entertaining ATCO Energy Theatre safety education program Superpower!.

ATCO Electric, ATCO Pipelines and ATCO Gas also helped deliver the children's activities program for Edmonton's annual National Aboriginal Day festival held at the Alberta Legislature grounds.

ATCO Gas continued its 20-year support of the Alberta Games in 2009, sponsoring torch runs and opening ceremonies for both the 55+ Winter Games and 55+ Summer Games held in Lethbridge and Airdrie respectively. The company also supported several Days of Caring events where company employees delivered a day of community service in support of the Okotoks-Foothills Hospice, the Jasper-Alpine Summit Lodge, Raymond-Stampede grounds, St. Albert's hosting of the Alberta Summer Special Olympics, playground construction in Blackfalds and community beautification efforts in the City of Brooks.

The ATCO Power Sheerness Power Plant near Hanna, Alberta supported the Red Deer River Watershed Alliance, an environmental initiative for proper watershed management. ATCO Power sponsored a youth gathering and cultural awareness event for the Piikani Nation. The company supported the University of Calgary Mentorship program, Days of Caring charity events in Calgary and Edmonton, Habitat for Humanity, community park painting and clean-up, the Mustard Seed and Goodwill.

ATCO Group sponsored Class Act, recognizing outstanding high school students from the Calgary area who achieved academic and extra-curricular success in 2009. It was the 20th anniversary of the event with ATCO in its fifth year of involvement.

ATCO I-Tek continued to donate equipment to Computers for Schools and other organizations in our communities to reduce the impact on the environment by keeping equipment out of landfills. More than 9,600 pieces have been donated since 2000.

**PHOTO (RIGHT)**

ATCO Gas sponsored the 2009 Alberta 55+ Summer Games in Airdrie. The ATCO Gas Torch Relay saw residents of Airdrie carry the Games' Flame to the Opening Ceremonies for the lighting of the Cauldron.





## Commitment to the North

ATCO has enjoyed a long history with the people of Canada's North, building mutually beneficial, long-term relationships. This commitment was bolstered in 2009 with a series of new initiatives and a pledge to extend longstanding associations with northern communities and Aboriginal groups.

In 2009, Northland Utilities renewed its commitment to First Nations communities of Fort Providence, Trout Lake and Wekweti in the Northwest Territories to involve communities in operations plans. The partnerships provide training and another source of income in the community.

ATCO Power made a contribution toward infrastructure in Fort Smith to support the Slave River Hydro Development, while Yukon Electrical and ATCO Power signed a five-year agreement with Whitehorse Cross-Country Ski Club to provide company-owned property for ski trails.

In 2009, ATCO Group sponsored the 40th annual Circumpolar Games in Inuvik, Northwest Territories, a longstanding and important traditional gathering for those who live in the land of the midnight sun. The town of Inuvik and volunteers from the

ATCO Midstream NWT team hosted more than 3,500 people from across the Arctic Circle. People came from Alaska, Northwest Territories and Nunavut, with many flying in from the most remote regions.

ATCO sponsors the Arctic Leadership Program annually that provides wilderness programming for young people within the Inuvialuit Settlement Region. The goal is the development of teamwork and personal life management skills, an increase in self-confidence and resilience, and to foster a sense of responsibility for one's actions — the hallmarks of strong leadership. The program exposes youth to different career options to develop an appreciation for the benefits of staying in school.

ATCO also sponsors five scholarships each year at Aurora College in Inuvik where the majority of students are Aboriginal. Aurora College serves a population dispersed across 33 communities in the Northwest Territories, delivering programs and courses through a network of three regional campuses as well as Community Learning Centres.

### PHOTO (BELOW)

ATCO Group sponsored the Circumpolar Games in Inuvik, Northwest Territories, in 2009. Events included the sights and sounds of traditional Drum Dancing ceremonies.



## High Prairie Emergency Training Centre

Four ATCO Group companies provide support for a much-needed fire-rescue training centre in Alberta's northwest.

The ATCO High Prairie Fire-Rescue Society Emergency Training Centre will provide hands-on and practical training for emergency rescue personnel throughout northwestern Alberta. Along with contributing financially to the centre, ATCO Electric, ATCO Gas, ATCO Power and ATCO Midstream will provide training support in the area of electrical and gas related emergencies. The training centre, scheduled to open in 2012, will improve the region's firefighting and emergency-response capabilities, helping to enhance the safety of residents in northwestern Alberta.



### PHOTO (ABOVE)

ATCO cheque presentation for the High Prairie Emergency Training Centre. (Front row from left): Barry Johanneson, ATCO Gas, Manager Grande Prairie region; Neil McCagherty, ATCO Midstream, Operations Manager St. Albert; Bill Heighington, ATCO Electric, North East Regional Manager; Lynne Pardell, Deputy Fire Chief, High Prairie Fire Department; Melvin Beaudette, District Manager, High Prairie and member of the High Prairie Fire Department; Ken Melnyk, Chief, High Prairie Fire Department. (Back row from left): Trevor Cisaroski, Assistant Fire Chief, High Prairie Fire Department; Ron Gaudet, ATCO Electric, Powerline Technician Team Lead-Service; Joel Grassmick, ATCO Power, Turbine Operator Valleyview Generating Plant; Kevin Laing, ATCO Electric, Acting District Manager High Prairie.

# ATCO Ltd.

## Directors

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

**Bertrand P. Collomb**  
Honorary Chairman, Lafarge S.A.

**Brian P. Drummond**  
Corporate Director

**Rt. Hon. Donald F. Mazankowski,**  
P.C., O.C., A.O.E., D.Eng., LL.D.  
Corporate Director and  
Business Consultant

**Helmut M. Neldner**  
Corporate Director

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

**Nancy C. Southern**  
Deputy Chair, President &  
Chief Executive Officer  
ATCO Ltd.

**Ronald D. Southern,**  
C.B.E., C.C., LL.D.  
Chairman of the  
Board of Directors  
ATCO Ltd.

**Charles W. Wilson**  
Corporate Director &  
Lead Director

## Officers

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

**Nancy C. Southern**  
Deputy Chair, President &  
Chief Executive Officer

**Siegfried W. Kiefer**  
Managing Director, Utilities

**Brian R. Bale**  
Senior Vice President &  
Chief Financial Officer

**Robert J. (Bob) Myles**  
Senior Vice President, Corporate  
Development & Planning

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

**Erhard M. Kiefer**  
Group Vice President, Human  
Resources & Corporate Services

**Scott J. Garvey**  
Chief Information Officer

**Carson J. Ackroyd**  
Vice President, Marketing &  
Communications

**Donald E. Belsheim**  
Vice President, Operational Audit

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

**Kevin P. Hunt**  
Vice President, Risk & Pension

**Robert C. (Rob) Neumann**  
Vice President, Internal Audit

**Patricia (Pat) Spruin**  
Vice President, Administration &  
Corporate Secretary

**Catherine M. Widdoes**  
Vice President, HR Services

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

**Carol Gear**  
Assistant Corporate Secretary

## Presidents and Senior Executives of Principal Operating Subsidiaries

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

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

**Brian R. Hahn**  
President, ATCO Gas

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

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

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

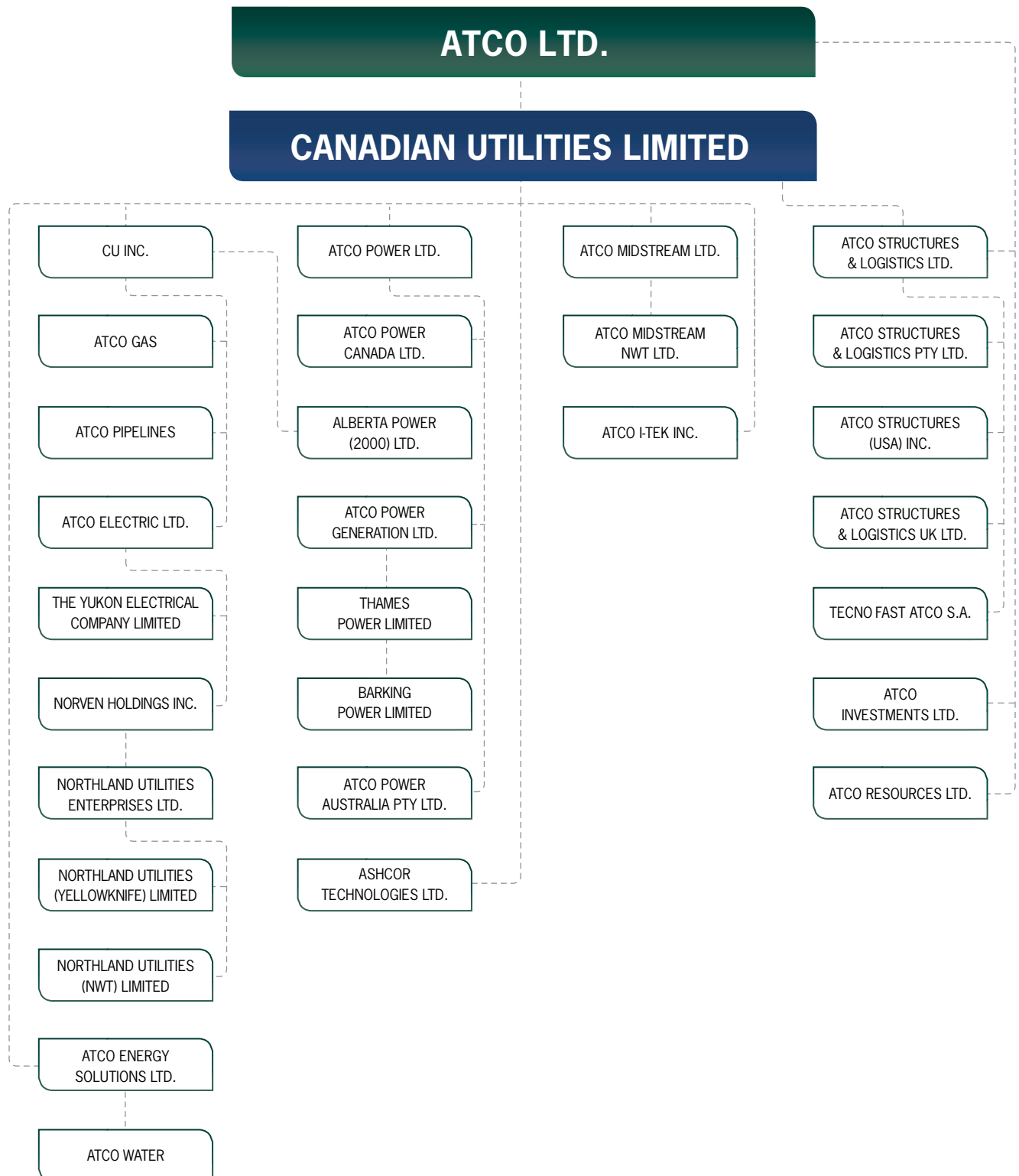
**Henry G. (Harry) Wilmot**  
President & Chief Operating  
Officer, ATCO Structures &  
Logistics Ltd.

**Brendan G. Dolan**  
Senior Vice President & General  
Manager, ATCO Pipelines

**Anthony J. (Tony) Salters**  
Vice President & General  
Manager, ATCO Energy  
Solutions Ltd.



# ATCO Group Organization Chart



# Sustainability Report

ATCO Group published its first corporate Sustainability Report in 2009 that consolidates key data from nine diverse principal operating subsidiaries with more than 7,500 employees. Information on ATCO's sustainability initiatives and impacts is now contained in one document that covers the performance year ended December 31, 2008. It was prepared with the best information available and will be used as a basis point for further measurement in coming years.

You can view ATCO's Sustainability Report at [www.atco.com](http://www.atco.com).

#### PHOTO (BELOW)

ATCO is committed to creating healthy, vibrant communities where we live and work. We support hundreds of community endeavours through both financial contributions and the volunteer efforts of our employees.



# General Information

## Incorporation

ATCO Ltd. was incorporated under the laws of the Province of Alberta on August 31, 1962.

## Annual Meeting

The Annual Meeting of Share Owners will be held at 10:00 a.m. on Thursday, May 13, 2010 at The Fairmont Palliser Hotel, 133 – 9th Avenue SW, Calgary, Alberta.

## Auditors

PricewaterhouseCoopers LLP  
Calgary, Alberta

## Counsel

Bennett Jones LLP  
Calgary, Alberta

## Transfer Agent and Registrar

Class I Non-Voting and  
Class II Voting Shares  
CIBC Mellon Trust Company  
Calgary/Montreal/Toronto/Vancouver

## Stock Exchange Listings

Class I Non-Voting Symbol ACO.X  
Class II Voting Symbol ACO.Y  
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 ATCO Ltd. and Canadian Utilities Limited 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.atco.com](http://www.atco.com)  
[www.canadian-utilities.com](http://www.canadian-utilities.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)

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