

Energized new 240 kV transmission line in northwest Alberta - ATCO Electric see page 23



City of Edmonton Gas Franchise Agreement renewed - ATCO Gas

see page 28



see page 26

Agreement renewed - Northland Utilities (Yellowknife)



Commissioned pipeline lateral and meter station for Scotford Heavy Oil Upgrader - ATCO Pipelines see page 32



Established sales office in Timmins, Ontario to service mining industry - ATCO Structures & Logistics see page 14



Designed and supplied noise control for the 550 MW expansion of the Astoria Energy Power Plant in New York

- ATCO Structures & Logistics see page 16



Awarded NATO Kandahar utilities and first responders contracts - ATCO Structures & Logistics see page 18

# Worldwide Leader

This map shows some of the major initiatives in 2010 that reflect ATCO's diverse presence across five continents. Whether building modular structures in South America, operating environmentally friendly power plants in Australia, or providing gas and electricity to remote locations in northern Canada, ATCO's reputation for providing service excellence and innovative business solutions truly spans the globe.



Supplied and installed bargemounted turbine exhaust system destined for Venezuela - ATCO Structures & Logistics see page 16



Pioneer camp at Minera Chinalco's Toromocho copper mine. Peru - ATCO Structures & Logistics see page 16



Supplied modular units to assist in the rescue of 33 trapped Chilean miners near San Jose. Chile - ATCO Structures & Logistics

see page 14



Kitchen/dining facility at Barrick Gold's Pascua Lama project in Chile - ATCO Structures & Logistics

see page 16





Built temporary offices for Haitian government after devastating earthquake - ATCO Structures & Logistics see page 18



Karratha power generating station is commissioned - ATCO Power see page 36



Established a head office in Perth for ATCO's Australia operations - ATCO Australia see page 19







# ATCO Quickfacts 2010

- ATCO's tradition of excellence dates back 64 years to 1947 when Alberta Trailer Hire was founded by R.D. Southern and his father, S.D. Southern
- ATCO employs more than 7,700 people worldwide
- ATCO has assets of approximately \$10 billion
- ATCO's dividends per share increased in 2010 for the 17th consecutive year
- More than 40 per cent of ATCO employees own shares in the company
- ATCO first expanded to Australia in 1961 with an ATCO Structures plant in Adelaide. Significant growth potential led to the launch of ATCO Australia, providing integrated energy solutions from one company
- ATCO and its employees, through their company-wide
   ATCO Employees Participating in Communities (EPIC)
   fundraising program, pledged \$2.97 million to more than
   500 charitable organizations in 2010

Top: ATCO supplied a modular site office to a Montreal construction firm as it undertook repairs to the Biodôme.

Middle: ATCO Pipelines uses wooden rig mats to protect the ground and vegetation in its right-of-ways and prevent potential damage during construction.

Bottom: ATCO's 180 MW Osborne natural gas power cogeneration plant in Adelaide, Australia.

# ATCO Ltd. 2010 Annual Report

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ATCO has a tradition of showcasing Alberta's beautiful scenery on the cover of its annual reports. This is a view of the foothills west of Springbank, looking northwest towards the Rocky Mountains. The spring mist shades an early morning glow of the sunrise on the clouds and mountains.





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 7,700 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).

# **Structures & Logistics**

ATCO Structures & Logistics



## **Utilities**

ATCO Electric ATCO Gas ATCO Pipelines



# **Energy**

ATCO Power
ATCO Midstream



ATCO I-Tek

# ATCO Ltd. Financial Highlights

## **Consolidated Annual Results**

**Year End December 31** 

(Millions of Canadian dollars except per share data)	2010	2009
FINANCIAL		
Revenues	3,445.4	3,108.9
Earnings attributable to Class I & Class II shares	292.9	283.3
Adjusted earnings	296.0	278.4
Total assets	10,239.8	9,954.6
	2,213.9	·
Class I & Class II share owners' equity	· ·	2,009.6
Funds generated by operations	929.9	935.1
Capital expenditures	968.7	986.8
CLASS I NON-VOTING & CLASS II VOTING SHARE DATA		
Earnings per share	5.04	4.89
Diluted earnings per share	5.02	4.88
Adjusted earnings per share	5.09	4.81
Dividends paid per share	1.06	1.00
Equity per share	38.22	34.52
Shares outstanding (thousands)	57,924	58,220
Weighted average shares outstanding (thousands)	58,172	57,899
Holghton avoids onator outstanding (thousands)	00,172	07,000

The above data (other than adjusted earnings, funds generated by operations, adjusted earnings per share and equity 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.

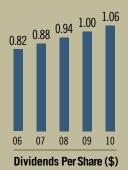
For further information, please see ATCO Ltd. Consolidated Financial Statements and Management's Discussion and Analysis – www.sedar.com.

## **Forward-looking Information:**

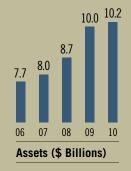
Certain statements contained in this Annual Report constitute forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as "anticipate", "plan", "estimate", "expect", "may", "will", "intend", "should", and similar expressions. Forward-looking 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.



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







# President's Letter to Share Owners

Dear Share Owners:

ATCO's financial and operating performance in 2010 reflects the successful efforts of the 7,700 extraordinary and talented people of your company.

I have no doubt that you, like myself, will experience great pride as you read through the highlights and stories of our people working around the world to deliver our customers and communities products and services they can count on.

2010 was characterized by a very fragile global economy against a backdrop of continued regulatory and policy shifts, the re-emergence of a North American gas bubble and an abundance of power supply in Alberta, which had a significant impact on ATCO Midstream and ATCO Power, respectively.

However, the diversity of the businesses within our enterprise – 'the Piston Effect' as we've referred to it in the past - allowed us to overcome the challenges we faced.

ATCO's record earnings of \$292.9 million were supported by a robust balance sheet holding \$645 million of cash and an industry leading 'A' credit rating.

These results were achieved through the strength and determination of our people, a deeply embedded focus on operational excellence with its inherent cost controls, and careful consideration of the environmental and social impact of our actions; now and for the future.

2010 marked the first full year of results from the 2009 amalgamation of ATCO Structures, ATCO Frontec and ATCO Noise Management, into ATCO Structures & Logistics, which grew its businesses worldwide securing new contracts and customers in Peru, Chile, Afghanistan, Australia, and throughout North America.

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

Our rapid deployment capabilities were called to the forefront in earthquake-devastated Haiti, where we are helping to rebuild the infrastructure for government and social institutions to help the country and its people get back on their feet. ATCO Structures & Logistics also responded to the needs of the San Jose miners and their families in Chile with modular units placed at the mine site as the world watched the successful rescue of the 33 men.

In April 2010, during the Directors and Officers Strategy Conference, your Board of Directors approved an Australian growth strategy modeled after the Group's existing Canadian enterprise of diverse yet complementary businesses to support the development of natural resources. ATCO Group already has a significant presence throughout Australia with many future opportunities identified as well as the successful commissioning of an environmentally advanced gas-fired generating facility in Karratha, Western Australia on April 9, 2010.

In January 2011, we launched a new company – ATCO Australia – focused on originating, developing, owning and operating energy infrastructure projects, drawing upon the expertise of ATCO Power, ATCO Pipelines, ATCO Gas, ATCO Midstream, ATCO Electric and ATCO Structures & Logistics.

In Alberta, ATCO Electric is advancing the Eastern Alberta Direct Current Transmission Line in accordance with the 2008 Government of Alberta Provincial Energy Strategy. The 500 kilovolt direct current transmission line will allow Albertans to harness wind and clean hydroelectric power as our coal-fired plants are decommissioned in the future to reduce our emissions footprint.

We have undertaken a comprehensive and exhaustive public consultation initiative to find a route along the less populated east side of the province as we strive to establish the route with the least impact on people, the land and the environment. More than 6,500 people have been consulted and we continue to listen attentively as the project moves toward permitting and construction. The capital investment is estimated to be \$1.6 billion, the majority of which will occur between 2012 and 2014 with commissioning in 2014.

To ensure we have the right people and controls for the Eastern Alberta Direct Current Transmission Line as well as our \$0.8 billion Hanna Region Transmission Development Project, we have reorganized ATCO Electric into a Capital Division and an Operations Group, led by Presidents Sett Policicchio and Bobbi Lambright, respectively.

We are also working closely and collaboratively with governments to address climate change issues, now that the federal Minister of the Environment has set preliminary parameters for eliminating traditional coal-fired generation.

As the federal government moves forward with CO<sub>2</sub> regulations, ATCO remains confident that a strong and robust electrical grid will deliver unmatched economic and environmental benefits to Canada. Supporting our vision is our belief that we must continue to invest in our collective future to ensure reliability and competitive access to renewable and sustainable electricity, such as hydroelectric projects on the Slave and Athabasca rivers.

In summary, it was a challenging yet rewarding year. I want to thank my colleagues in the Office of the Chairman, the executive teams in our operating companies, and the 7,700 men and women of ATCO without whom our success in 2010 would not have been achieved. Their commitment to finding new ways to better serve our customers is the essence of the ATCO 'Heart and Mind' and your company's true advantage.

I also wish to express my deepest appreciation to our Board of Directors who so generously provide their wisdom and counsel and who are at the very heart of our accomplishments.

Finally, I offer my sincerest thank you to Brian Drummond, who has served on the Board of Directors for your company since 1968. Brian has had a profound impact on your corporation and me personally. Thank you Brian!

Warmest regards,

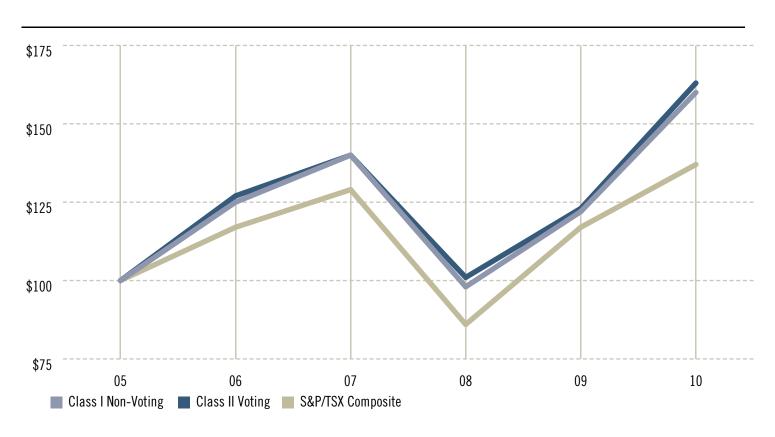
M.C. South

Nancy 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 Ltd. Compound Growth Chart	Compound Growth Rate	Cumulative Return
Class I Non-Voting	9.9%	\$160
Class II Voting	10.3%	\$163
S&P/TSX Composite	6.5%	\$137

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.

## **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.



# **Chairman's Letter**

Ronald D. Southern Chairman of the Board

To Our Share Owners,

Your President's report highlights a year of notable achievements in 2010, and on behalf of my colleague Directors, and the owners of our shares, I would like to compliment and thank all of the people who make up our ATCO enterprises for a job truly well done.

It has been a busy year for Directors as well, for they have provided an enhanced focus to our global, national and sectorial strategies and tactics.

On the subject of governance, I must tell you how impressed I am with the quality of our Board's discussions and the results of the mix of management's and Directors' combined talent, knowledge, experience and standards brought to you by this remarkable group of men and women who work to deliver excellence for your company. This dedication results in commitments which go far beyond that shown in job descriptions, or time formally logged for board and committee meetings.

Our decision to preemptively take all of our Principal Operating Subsidiaries and consolidations to IFRS accounting in 2011 is well-documented in this report. I commend your review of this as well as our long-standing share ownership statement.

Looking to 2011 and beyond, we believe the world is in for a long period of adjustment. Yet, because we believe there is an inexorable shift of manufacturing to the emerging nations who require large and reliable sources of resources, our plans for the future allow for our reasoned growth and participation in the markets we have chosen.

Our Australian strategy seems to us to be logical and achievable steps for growing from the great base of attention we bring to our Canadian and American operations.

We have the people and financial resources to do this, giving us a considered confidence of meaningful success for our five-year plans ... step by step ... year by year. The markets being targeted by your management are best described as resource development infrastructure in Canada, U.S.A., Australia and South America where we can deliver the ATCO integrated model of long-standing proven infrastructure products and services to our customers of: electric power generation, electrical transmission; pipelines; midstream facilities; storage caverns; and structures and logistics.

Other possibilities may occur of course, but your management is very conscious of maintaining a supreme focus as called for in their plans.

Still, it will not be easy. For while, perhaps, it is a sweeping generalization, it has been said: "The only thing we learn from history is that men never seem to learn from history." Your Officers and Directors bear this in mind as we proceed, for who amongst us can explain the rebirth of "global risk taking" in most nations little more than a year after the financial crisis with all its negative ramifications of 2009/2010.

When your Directors and Officers look at the situation, we summarize these risks in economic terms as:

- macroeconomic risks
- market liquidity risks
- emerging market risks
- credit risks
- monetary and financial risks

All of which, with varying implications, will be exacerbated if world economies and their populations are subjected to significantly higher interest rates. We have considered these to the best of our ability.

Nevertheless, we intend for both the "thick and the thin" which we may encounter, the maintenance of a strong balance sheet.

ATCO Group, including Canadian Utilities', Share Registry has a tremendous base of Alberta owners. At 60 per cent, it surely is unique and on behalf of the people in our companies (6,500 out of a total of 7,700) who are based in every village, town and city here in Alberta, I would like to thank, in the most genuine way possible, <u>all</u> of our share owners, who have invested their hard earned money with us for so many decades, for your confidence, spirit, and trust.

Our AGM will mark the retirement – after 43 years of service – of Director, Brian Drummond. In addition to his powerful intellect and superb commercial judgement, he has brought us strategic and tactical thinking, energy, courage, firmness and resolution, as well as a compendium of admirable personal traits.

His applied cumulative experience, as well as his character, has made him the best teacher in our corporate history for his colleague Directors and our senior executives with his "ATCO heart and mind" philosophy. He has helped us create great value for you, our share owners, and on behalf of all the ATCO people and Directors – past and present – we want to thank him . . . . most sincerely!

Respectfully submitted,

QULVI\_

Ronald D. Southern Chairman of the Board





# Transmission in Alberta

Siegfried W. Kiefer Managing Director, Utilities

Across North America, significant investment in new transmission capacity is required to ensure that reliable transmission infrastructure is in place ahead of power generation development and load growth. Significant lead times are required to ensure a reliable source of electricity when, and where it is needed. And as a wider mix of energy supply comes on stream – including from renewable sources such as hydro, wind and biomass – a long-haul transmission network that can carry energy efficiently from its production point, often in remote locations, to major population centres is imperative.

Such is the case in Alberta where economic growth is forecast to lead the nation in 2011. As industry and the province's population grows, so too will the growth in demand for electricity. Yet the province's electric grid – the "backbone" of the entire electric system – has not seen major new transmission lines built for more than two decades. As a result, the system is running close to capacity, resulting in restrictions on transmission maintenance activities and many situations where load restrictions are being considered as the next step to ensure reliability.

To meet the anticipated demand for electricity by Albertans, both reinforcement and expansion are needed. New transmission lines must be built in the province over the next decade. This will create certainty for business decisions that rely on electricity, such as new industrial investment, and allow new forms of generation investment to be made with confidence. Our transmission system needs to be appropriately sized to accommodate long-term growth and employ advanced technology, where possible, to maximize efficiency and minimize environmental impacts.

Given these circumstances, the Alberta Electric System Operator (the independent not-for-profit organization that plans and leads the operation of Alberta's interconnected power system) has directed ATCO Electric to prepare a facility application for the construction of a 500 kV high voltage direct current transmission line. The application was filed with the Alberta Utilities Commission in March 2011. The line will extend 500 km along the east side of the province on a carefully planned route that, after consultation with landowners, will have the least overall impact on people, agriculture, industry and the environment. Deemed "critical transmission infrastructure", this project will be among the first applications of direct current technology in Alberta and will be designed to serve Albertans for many decades to come.

Alberta's electricity supply mix is expected to change significantly as coal-fired plants are decommissioned and renewable energy supply is added. ATCO is working with government and industry on developing a framework to responsibly decommission coal-fired generation as Canada seeks to reduce greenhouse gas emissions.

While coal has been the mainstay of base load power generation in Alberta, ATCO continues to explore opportunities to leverage its experience and resources to develop new sources of sustainable energy and advance ATCO's vision for a "green corridor". New hydro generation in northern Alberta and Canada's North combined with a robust, safe, reliable, and economic transmission system, will provide clean, sustainable and abundant energy for the benefit of all Albertans for generations.



A 240 kV ATCO Electric transmission line near St. Paul, Alberta.





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.

# ATCO Structures & Logistics

- Provides solutions to customers worldwide, including:
  - Workforce housing
  - Modular buildings
  - Construction
  - Site support services
  - Logistics support
  - Operations management
  - Noise reduction technologies
  - Gas turbine systems
- Operations on five continents:
  - North America
  - South America
  - Australia
  - Europe
  - Asia
- Manufacturing facilities in:
  - North America
  - South America
  - Australia
- Specialists in rapid mobilization of services to remote and challenging locations

ATCO Structures & Logistics supplied temporary construction site offices at the Museum of Contemporary Art in Sydney, Australia.



ATCO Structures & Logistics built the modular sales and presentation centre for the Onni Group of Companies' 'Garrison at the Yards' condominium development in Toronto, Ontario.

# **ATCO Structures & Logistics**

With manufacturing facilities in North America, South America and Australia, and operations on five continents, ATCO Structures & Logistics has the expertise to rapidly deploy real-life support solutions and environmental systems essential to operating anywhere in the world.

ATCO Structures & Logistics built on its 2009 success by continuing to grow sales and profitability in core business lines worldwide in 2010. Its achievements are numerous:

- ATCO responded quickly to the Government of Canada's request to provide temporary administrative offices and related support services to the Government of Haiti;
- ATCO won three NATO contracts for operational support services;
- In North and South America, ATCO won a number of significant contracts to provide workforce accommodations to the resource sector;
- Utilization rates in modular unit rentals grew, as did the ATCO fleet size, particularly in Australia and South America;
- ATCO met growing demand for auxiliary systems for gas turbine systems, including the first sale of a selective catalytic reduction system that will improve removal of nitrogen oxides and carbon monoxide pollutants from turbine exhaust; and,
- ATCO signed one joint venture and five memorandums of understanding with six Aboriginal groups across Canada.

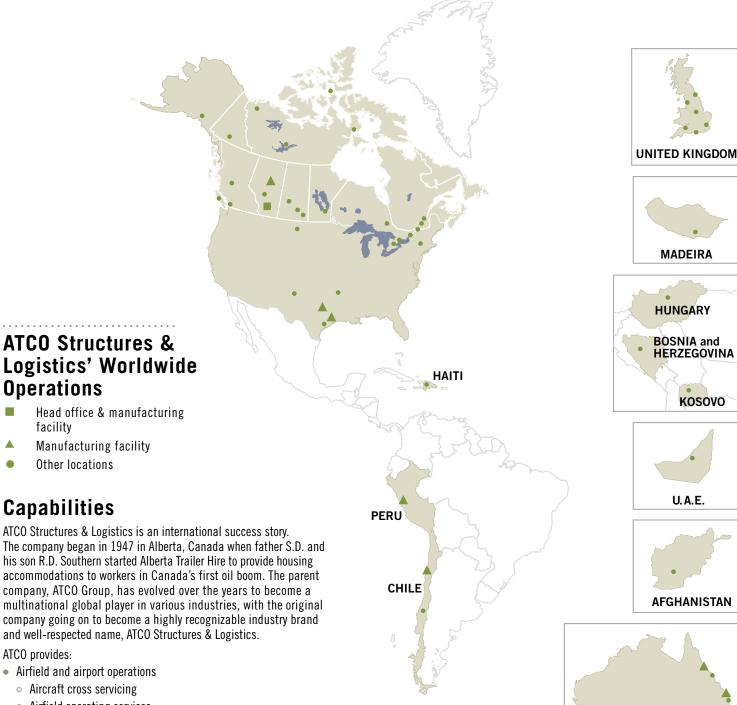
### **Aboriginal Relations**

ATCO Structures & Logistics continued to build strong partnerships with Aboriginal communities throughout Canada and Alaska, a commitment that first began in 1981. In 2010, ATCO and the George Gordon First Nation celebrated the signing of a joint-venture agreement. The partnership will focus on providing camp services and accommodations in support of mining and energy projects in the George Gordon traditional territory, approximately 120 km north of Regina in Saskatchewan's potash belt.

ATCO also committed to working with First Nation businesses in the Detour Lake region in northeastern Ontario and signed a memorandum of understanding (MOU) with Moose Cree member-owned businesses. The MOU provides for commercial opportunities related to the construction and operation of the Detour Lake Gold Corporation workforce accommodation facility.

Other MOUs signed by ATCO with Aboriginal communities across Canada include:

- The Ahousaht First Nation on Vancouver Island, British Columbia
- The Haisla First Nation in Kitimat, British Columbia
- The St. Mary's First Nation near Cranbrook, British Columbia
- Sakku Investments Corp. the economic development arm of the Inuit of Nunavut's Kivalliq region



- - Airfield operating services
  - Combined air terminal operations
  - Crash fire and rescue services
- Camp accommodations (workforce housing)
- Camp services
  - Billeting and security services
  - Catering and food services
  - Telecommunications
  - Logistics (supply, transport, equipment maintenance)
  - Power generation and utilities
  - Site operation and maintenance (housekeeping, janitorial, roads, grounds, pest control)
- Gas turbine systems
  - Anti-icing systems
  - Bypass/diverter damper systems
  - Catalyst systems
  - Exhaust silencing systems
  - Intake silencing systems

- Industrial noise control
  - Acoustic buildings
  - Acoustic consulting
  - Acoustic enclosures
  - Noise barriers
- Modular commercial buildings and complexes
- Office trailers
- Pre-engineered metal buildings
- Remote facilities operations & maintenance

With clients in more than 100 countries, 45 sales offices around the world and manufacturing facilities on three continents, ATCO has the expertise to rapidly deliver turnkey solutions almost anywhere they are needed.

**AUSTRALIA** 



Thirty-three modular units were trucked to the mine rescue site where 33 trapped miners were being rescued near San Jose, Chile.

# ATCO modular units and the Chilean miners rescue

In response to the incredible mine rescue mission in October 2010 in which 33 Chilean miners were trapped underground, Tecno Fast ATCO (ATCO's South American joint-venture partner) provided 33 modular units at the rescue site.

The units were supplied by and shipped from ATCO's Santiago plant to the mine area near San Jose, Chile. The units were set up into three integrated complexes: a triage area for initial medical evaluation; a lavatory and shower area; and, a family reception area.

Tecno Fast ATCO S.A. is headquartered in Santiago, Chile and is a joint-venture company between Tecno Fast S.A. and ATCO Structures & Logistics Ltd. The company has built accommodation for more than 100,000 miners in South America.

#### **Health, Safety and Environment**

ATCO Structures & Logistics continued its emphasis on safety across the organization in 2010 by promoting continuous improvement toward ATCO's goal of zero incidents. Protecting the health and safety of employees, business partners and the public is fundamental to ATCO's business, and exemplary Health, Safety and Environment (HSE) performance is continually woven into the ATCO culture through new initiatives and programs.

The company has implemented safety training in all areas of its operations by equipping leaders, staff and contractors with the proper safety information and tools. These comprehensive HSE manuals and on-line training systems include an extensive mandatory contractor management program and a commitment to investigating incidents to identify root causes and learning from them.

ATCO's global operations have demonstrated a year-over-year improvement in the lost-time incidents to where its rate of incidents per employees over 200,000 hours has dropped to 0.61, a level that exceeds industry standards.

ATCO has been recognized by the Alberta Construction Safety Association and the Alberta Hotel and Lodging Association with COR (certificate of recognition). ATCO also participates in the Workers Compensation Board Partners in Injury Reduction Program.

#### **North America**

#### **Modular Structures**

In Canada, ATCO Structures & Logistics completed several major projects tied to the oilsands and mining industry as well as military operations and international summits.

In June, ATCO opened 570,000 sq. ft. of temporary accommodations and facilities for security forces supporting the G8 and G20 summits in Ontario. It was the largest deployment of security personnel in Canadian history. To support their mission, ATCO demonstrated its ability to meet tight timelines by transporting and installing nearly 800 units from Alberta to southern Ontario in four months.

ATCO also won the bid to build a 1,300-person accommodation facility to house workers constructing Detour Gold Corporation's mine in northeastern Ontario, one of Canada's largest gold development projects.

Through the acquisition of Woodgreen Homes & Trailer Sales in 2010, ATCO established a sales and operations office in Timmins, Ontario. The office and fleet yard provides a regional base to serve the flourishing mining industry and other market sectors in northern Ontario.



At CFB Suffield, Alberta, ATCO Structures & Logistics provided dormitories and a kitchen dining complex for British soldiers who were in training in preparation for their deployment to Afghanistan.

ATCO was awarded a contract to provide one of Canada's leading oilsands companies with a workforce housing complex to accommodate more than 700 people. Located 200 km south of Fort McMurray, the project includes the manufacture and installation of a 684-person temporary camp and 60-person permanent camp. The permanent facility features large hotel-style rooms and common areas, and will be enhanced by additional amenities, including a bar and movie theatre.

Early last year, the Government of Canada announced plans to focus resources on Canada's northern frontier. As part of that initiative, Nanisivik (located on Baffin Island in Nunavut) was chosen as a new deepwater port for Canada's military forces. ATCO, which has long managed the North Warning System for the military in partnership with Pan Arctic Inuit Logistics, was contracted to design a modular facility for the Department of National Defence. It will be used as a site office for six people to live and work during the initial phase of construction of the naval facilities. Modules for the complex were manufactured at ATCO's plant in Spruce Grove, Alberta and trucked 3,500 km to the port of Valleyfield, Quebec. The units were then loaded onto a heavy cargo vessel and travelled 2,681 nautical miles to Nanisivik.

ATCO also provided dormitories and a modular kitchen/dining complex for soldiers training at Canadian Forces Base Suffield in

southeastern Alberta. CFB Suffield required expandable camp facilities to support the British Army Training Unit. The kitchen produces meals for up to 200 personnel who are responsible for the safety and oversight of more than 6,000 soldiers exercising annually. All participating soldiers were subsequently deployed on operations in Afghanistan as part of the coalition force.

In the United States, ATCO completed the Nomac Eastern Training and Housing Facility. The dormitory-style workforce housing and training complex provides accommodation, support services and training space for 276 Nomac Drilling personnel working in the Marcellus Shale region of northern Pennsylvania. Nomac Drilling is a subsidiary of Chesapeake Energy.

ATCO expanded its business model in the camp business by building and operating its own accommodation facilities in strategic markets in Saskatchewan and North Dakota. The 202-room ATCO Lodge Estevan, located in southeastern Saskatchewan, is an open-camp style accommodation to meet the growing demand for worker accommodation from the oil and gas, and construction industries. A similar complex, ATCO Lodge Williston (located just north of Williston, North Dakota), is a 150-room 10,560 sq. ft. facility. It is the first accommodation facility operated by ATCO in the United States.



The Calgary manufacturing facility has 275,000 sq. ft. of manufacturing capacity.

ATCO introduced a new modular product in 2010 through a joint-venture partnership with Hunter Buildings & Manufacturing LP called ATCO Hunter Blast Shelters Ltd. These steel, blast-resistant shelters are ideal for industrial applications such as oil and gas operations and petrochemical refineries where there is an occupational risk of explosion. The buildings are certified by a number of Canadian and American organizations, including the American Petroleum Institute, to meet or exceed blast and safety specifications.

#### **Industrial Noise Solutions**

In New York, ATCO Structures & Logistics completed its largest-value power plant project with guaranteed noise control for the 535 megawatt (MW) Empire generation combined-cycle gas-turbine power plant in Rensselaer. ATCO also completed most of the noise control for the 550 MW expansion of the Astoria Energy Power Plant, also in New York.

Construction on the powerhouse building for Suncor's Firebag 3 expansion near Fort McMurray began in 2010. The building is the first of two powerhouses awarded to ATCO by URS Denver, with the Firebag 4 project scheduled to begin in early 2011.

ATCO completed 130 noise consulting assignments in 2010. Strict enforcement of environmental noise regulations and increasing public awareness resulted in the growth of ATCO's acoustic retrofit business.

#### Gas Turbine Systems

Innovation was a common thread in ATCO's business line of auxiliary gas-turbine systems. ATCO Structures & Logistics was selected to construct two of its Higgott-Kane<sup>TM</sup> gas-turbine exhaust systems for Waller Marine (located north of Houston,

Texas) to incorporate into a pair of power generation barges destined for Venezuela. Each of the power barges carries a single turbine generator capable of producing 171 MW, making these barges the world's largest floating power generation facilities.

2010 also marked ATCO's first sale of a selective catalytic reduction/CO catalyst system. The project for Los Angeles County includes the retrofit of an existing simple-cycle exhaust system that will significantly improve removal of nitrogen oxides and carbon monoxide pollutants.

#### **South America**

The mining sector in South America continues to be a strong source of revenue for ATCO Structures & Logistics through its joint-venture Tecno Fast ATCO, and demand for modular unit rental/sales and workforce accommodation remains high.

To meet this demand, ATCO added manufacturing capacity in Peru and Chile. Located in Lurin, Peru, ATCO's new 47,000 sq.ft. manufacturing facility will employ 200 people at full capacity. ATCO's new manufacturing operation in Chile is located close to the existing manufacturing operation in Lampa, Chile. Total manufacturing space in Chile has increased by 57 per cent to 119,000 sq. ft. The new plant will employ 130 people at capacity.

The biggest win for ATCO in South America in 2010 was the contract to build workforce accommodation for the pioneer, construction and permanent camps for Lumina Copper in Caserones, Chile, approximately 1,000 km north of Santiago. Together, all three camps comprise almost 5,000 beds. The permanent facility will include a kitchen/dining complex, gymnasium and administration buildings.

ATCO also won the contract to build the construction camp and permanent camp for Barrick Gold's Pascua Lama project on the Chile-Argentina border. Pascua Lama comprises two sites: the Los Amarillos construction and permanent camp in Argentina is 280,577 sq. ft. of 610 modular units and 132,886 sq. ft. of 214 modular units and 944 beds.

In Peru, ATCO won the contract to build Minera Chinalco Peru's Tutctu I and Tutctu II pioneer camps, and the Pachachaca construction camp at the Toromocho copper mine approximately 300 km east of Lima. The facility is being built at an elevation of 4,300 metres in the Andes and comprises three-storey dormitory modular complexes and will provide a total of 4,600 beds for the Toromocho project.

ATCO's modular unit rental and sales business in South America almost doubled in 2010. The opening of a branch office in Concepción, Chile contributed to this success.

The Tutctu pioneer camp (Phase II), built for Minera Chinalco Peru's Toromocho project, is approximately 4,300 metres above sea level.







ATCO's firefighters receive familiarization training on the USA-10 Thunderbolt II jet (commonly known as the Warthog) at the Kandahar Airfield, Afghanistan.

# ATCO contracts with NATO in Kandahar and Sarajevo

ATCO Structures & Logistics continued its longstanding relationship with the North Atlantic Treaty Organization (NATO) in the Middle East and Europe with three new contracts in 2010. Through its subsidiary, ATCO Frontec Europe Kft., ATCO was awarded:

- A contract to provide critical utilities services for NATO at Kandahar Airfield (KAF) in Afghanistan. ATCO manages water, waste water and solid waste—crucial real-life support services for the troops serving in the International Security Assistance Force (ISAF);
- A three-year contract to provide critical first-responder services for NATO at KAF in Afghanistan. The contract encompasses fire and crash rescue services and emergency ambulance response capability for the ISAF; and,
- A contract to provide full operation and maintenance support for computer information systems (CIS) on behalf of NATO headquarters (HQ) in Sarajevo and European Union Forces (EUFOR) HQ in Bosnia and Herzegovina.

ATCO was also awarded a contract to assist in the retrofitting of Peru's largest thermal power facility, located in Chilca, south of Lima. ATCO supplied the Kallpa I & II power stations with exhaust by-pass systems that will help facilitate the plant's conversion into a combined-cycle facility. The conversion will improve plant efficiency by making use of exhaust waste heat and increase generation output from 570 MW to 850 MW.

#### Haiti

ATCO's unique experience with disaster relief played a significant role in being awarded a Canadian International Development Agency (CIDA) contract after a devastating earthquake in Haiti. As part of the Canadian Government's relief efforts, CIDA contracted ATCO Structures & Logistics to provide a temporary administrative base for various government departments within the Haitian government. It covered the procurement, transportation, installation, operation and maintenance of three facilities for six months.

The project included facilities to be built on sites in or near Port-Au Prince (Haiti's capital) on the grounds of the Ministry of Agriculture, the Ministry of Health, and the former United States Embassy site. Each facility includes a secured, self-contained, flexible membrane structure with air-conditioners, portable toilets, desks and office supplies, primary and back-up power generators, the set up of computers and the establishment of internet service.

Together, the three facilities provide offices for 280 civil servants serving in the three ministries of Planning, Health and Agriculture. Each structure has been designed to sustain 209 km winds, which provides for Category 3 hurricane resistance.

ATCO has also won two additional contracts in Haiti: the Caribbean Development Bank has contracted ATCO to provide temporary offices for Government of Haiti agencies, and the Canadian Commercial Corporation awarded a contract to ATCO to provide temporary classroom facilities for Haiti's national police academy.

#### **Australia**

In Australia, ATCO's growth was led by an exceptionally strong market for the sale and rental of modular units. To meet this demand, ATCO expanded its manufacturing in Brisbane and acquired the assets of Arrow Holdings, based in Perth, Western Australia.

The Perth manufacturing facility will be used to build temporary or permanent site offices, lunchrooms, toilets, canteens, bunkhouses and cabins. In addition to modular units, the new Perth office and manufacturing facility will also provide workforce accommodation solutions to service the booming resource sector in Western Australia.

ATCO has additional manufacturing facilities in Townsville, Brisbane and Melbourne in eastern Australia.



ATCO Australia's Osborne cogeneration/combined—cycle gas turbine power plant located in Adelaide, South Australia.

The 180 MW plant is fuelled by natural gas.

# **ATCO Australia**

Significant growth potential, coupled with ATCO's already strong presence in Australia, prompted the launch of ATCO Australia Pty Ltd in January 2011. The new company's headquarters are located in Perth. Its creation reinforces ATCO's belief in the strength of the Australian economy, particularly the resource-rich region of Western Australia.

ATCO Australia is headed up by Steven Landry in a newly established role of Managing Director & Chief Operating Officer. He oversees ATCO's power generation and energy infrastructure business in the country. ATCO Australia will focus on building greenfield and growing organic opportunities and, where it makes sense, consider acquisitions. Following the ATCO Group philosophy of develop, build, own and operate, ATCO Australia currently operates three power generation stations. The business development group is actively considering new opportunities.

ATCO Australia will provide a full range of energy services, drawing upon its existing expertise, including distribution of natural gas and electricity, and natural gas gathering, processing, storage and liquids extraction.

Based on the strength of mining, petroleum and liquefied natural gas (LNG) industries, there is an increasing demand for power, gas distribution, electricity, pipelines, midstream and workforce housing infrastructure. ATCO Australia will provide integrated energy solutions from one company.

ATCO's presence in Australia dates back to 1961 with the opening of a 70,000 sq. ft. modular building manufacturing plant in Adelaide. ATCO has experienced impressive growth in Australia during the past decade, first within ATCO Structures (now ATCO Structures & Logistics), followed by ATCO Power partnering in innovative power generation plants.

In June 2010, ATCO Power celebrated the opening of its environmentally friendly Karratha power generating station in the northwest quadrant of Western Australia. The 86 MW facility is the most efficient gas-fired generating station in the region. ATCO's other facilities include the 180 MW Osborne generating station in Adelaide and the 33 MW Bulwer Island cogeneration plant, part of the Queensland Clean Fuels Project that uses recycled water for its demineralization facility. All three Australian power plants are now part of ATCO Australia.





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.

# **ATCO** Electric

- 38 offices throughout northern and east-central Alberta
- Serves approximately 211,000 customers in 245 communities in Alberta
- Operates and maintains more than 82,000 km of distribution and transmission power lines in Alberta
- Subsidiaries include Northland Utilities and Yukon Electrical

# ATCO Gas

- More than 60 district offices across Alberta
- Serves more than one million customers in nearly 300 communities
- Owns and operates nearly 38,000 km of distribution pipeline
- Provides expert customer advice through ATCO EnergySense and ATCO Blue Flame Kitchen

## **ATCO** Pipelines

- 217 natural gas transmission customers
- Delivers 3.8 billion cubic feet of natural gas per day to customers
- Owns and operates 8,486 km of pipeline
- Interconnections facilitate access to multiple intra-Alberta and export markets

Near Turner Valley, Alberta — ATCO Pipelines' reclamation standards will ensure that every project plan includes returning areas affected by construction activity to their original state.



As part of its Avian Protection Program, ATCO Electric worked with Alberta Fish & Wildlife to relocate an osprey nest near Fox Creek, Alberta.

# **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 almost 211,000 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 has been serving this challenging, diverse territory for more than 80 years. It operates and maintains more than 82,000 km of transmission and distribution power lines including almost 12,000 km of distribution power lines on behalf of Rural Electrification Associations (REAs).

In 2009, ATCO Electric was authorized by the Government of Alberta to prepare a facility application to build and operate a new high-voltage transmission line along an eastern corridor in Alberta. The Eastern Alberta Direct Current Transmission Line will connect the Gibbons-Redwater area northeast of Edmonton to an area south of Brooks. The project is part of the Alberta Electric System Operator's (AESO) effort to build a robust transmission grid that meets growing needs and supports long-term economic growth in the province.

In 2010, ATCO Electric reorganized to more efficiently manage the largest capital program in its history. The reorganization also enables ATCO Electric to continue to maintain operational excellence and focus on strategic development opportunities.

ATCO Electric is now composed of the following three divisions:

- **Capital Projects Division** responsible for all major transmission construction.
- Operations Division responsible for managing the operation and maintenance of existing transmission, distribution and technology assets as well as large distribution construction.
- **Development Division** responsible for key strategic initiatives and developing long-term growth for ATCO Electric and the North of 60 companies.

To further address the company's growth as well as a retiring workforce, ATCO Electric hired a record 350 new employees in 2010. That compares to 298 new people in 2009 and 250 in 2008.

#### **Capital Growth**

Provincial economic development and increasing customer demand continue to drive ATCO Electric's capital growth. In addition to the

Eastern Alberta Direct Current Transmission Line (see story on page 25), several other major capital projects moved forward in 2010.

In 2009, the AESO identified the need for new transmission facilities in the Hanna region to reinforce the current system and meet increased demand. The Hanna Region Transmission Development (HRTD) consists of adding new transmission lines and substations, upgrading existing substations and salvaging existing transmission lines and equipment.

Public consultation for HRTD began in March 2010, and is ongoing with landowners in key areas. Preferred routes for a large portion of the contiguous line have been identified, based on consultation feedback and other criteria. Several facilities applications were filed with the Alberta Utilities Commission and will continue in early 2011. Pending approval, construction on the major portion of the HRTD is proposed to begin in winter 2011.

Elsewhere in the province, the first and second phases of the Northwest Transmission Development Project were completed. Phase I – a 226 km, 240 kV line from Britnell to Wesley Creek between Peace River and Wabasca – was energized in 2009. Phase II – a 126 km, 240 kV line connecting the Wesley Creek area northeast of Peace River to the Meikle area northeast of Manning – was energized in late September 2010. Responsible project management, greater access to materials and reduced labour costs resulted in cost savings of more than 40 per cent from the original budget estimate on Phase II of the project.

Multiple large-scale projects are also ongoing in Fort McMurray. Many are in response to continued economic growth in the region. Regional re-development projects, such as the widening of Highway 63 and the construction of a new bridge across the Athabasca River, require the removal, relocation and, in one instance, burial of several kilometres of line. The work promises to enhance electricity reliability for the rapidly growing region.

## **Operational Excellence**

Customer service and outage response continue to benefit from new technology and improved processes. The Central Work Desk, created to enhance operational efficiency and outage response, celebrated its first year of operation. The team was put to the test during unprecedented spring storm activity in southeast Alberta. They handled more than 17,000 outage calls as a result of the spring storm.

New technology was piloted to better manage power outages. The system interfaces with automatic meter reading technology to quickly estimate the outage location and relay the information to field staff.

ATCO Electric continued its commitment to promoting public and employee safety. For its long-standing partnership with the

Grande Prairie and Area Safe Communities organization, ATCO Electric was honoured with a business partner award.

Safe Communities organization is dedicated to promoting public safety in the Grande Prairie region. ATCO Electric sponsors several of its initiatives and local employees volunteer on its board.

The Farm Safety Campaign reduced the number of contacts between high-load farm equipment and overhead lines. The campaign encouraged farmers to plan ahead and let ATCO Electric help them move large equipment.

To improve employee safety while working alone, a new system was piloted to provide employees in remote and rural locations with centralized monitoring support. Monitoring units were piloted in Stettler, Grande Prairie and at isolated generation sites.



In the area broadly identified on this map, ATCO Electric serves all customers, with the exception of a small number of farm customers served by two self-operating rural electrification associations.



ATCO Electric hosted 14 open houses in June and July to share details about the Eastern Alberta Direct Current Transmission Line.

# **Eastern Alberta Direct Current Transmission Line**

ATCO Electric was authorized to prepare a facility application to build and operate a 500 kilovolt (kV) direct current (DC) transmission line along an eastern corridor in Alberta. The Eastern Alberta DC Transmission Line will connect the Gibbons-Redwater area northeast of Edmonton to an area south of Brooks. It has been deemed Critical Transmission Infrastructure and is a key component of the Alberta Electric System Operator's (AESO) long-term plan to bolster the province's electricity transmission system.

Public consultation began in spring 2010. In June, detailed information packages outlining the preliminary route options were sent to 6,500 affected landowners and interested parties. More than 7,000 Albertans took time to provide valuable input on the project at open houses in the summer and in one-on-one consultations that continued through the fall of 2010. The feedback received was critical to ATCO Electric finding a route with the least overall impact on people, agriculture and the environment.

A province-wide media campaign including print, radio and television ads was launched in October to thank Albertans for their input and encourage them to continue to provide feedback.

The preferred route was determined in January 2011, at which time ATCO Electric continued to consult once more with affected landowners. Following a review of the feedback, a facility application was filed with the Alberta Utilities Commission in March 2011.

ATCO Electric has been recognized internationally for the quality of its public consultation and environmentally progressive practices in the development of a large transmission project. In 2004, ATCO Electric became the first Canadian company to win an Edison Award for its development of the Dover-to-Whitefish transmission line project.

ATCO Electric is the only electric utility in Alberta with experience in operating a DC facility. ATCO Electric owns and operates the McNeill DC converter station, which is required to interconnect the Alberta and Saskatchewan electrical systems as their system frequencies are not synchronized.

Direct current technology was selected by the AESO for the Eastern Alberta Direct Current Transmission Line because it is typically used to transport bulk power over long distances. DC transmission lines transmit power more efficiently and require a smaller right-of-way than an alternating current transmission system of equivalent capacity.



The ATCO EnergySense Energy Education Mobile.

# **ATCO EnergySense**

Established in 2001 by ATCO Gas and ATCO Electric, ATCO EnergySense provides Albertans with energy efficiency advice and improvement services for their homes and businesses.

In 2010, ATCO EnergySense handled more than 10,800 phone calls and emails requesting information on energy efficiency and energy assessments. The team completed more than 2,500 residential and commercial energy assessments.

In April, ATCO EnergySense launched the ATCO Energy Education Mobile – a travelling classroom designed to give students an opportunity to learn about the province's energy sources and energy efficiency in a fun, hands-on setting. The tallow-based biodiesel-fuelled travelling classroom was developed by ATCO EnergySense in consultation with Alberta teachers.

Topics covered are compatible with the Alberta Grade 4 Science and Social Studies curriculum. With the help of computers and interactive games, students learn to identify where the province's energy comes from and how to use it efficiently. With visits to more than 90 schools, plus special appearances at community events, more than 18,000 Albertans experienced the ATCO EnergySense Energy Education Mobile in 2010.

Energy Minister Ron Liepert and ATCO President & CEO
Nancy Southern, along with Grade 4 students, learn about energy sources
and energy conservation inside the ATCO Energy Education Mobile.





A Northland Utilities employee cleans frost off a line to ensure the power stays on.

# **ATCO** in The North

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.

For ATCO companies operating North of 60, 2010 was a year of renewal – from utility franchise agreements to a renewed commitment to the environment and alternative technologies. It was also a year of new frontiers.

#### **Northland Utilities**

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

#### Northland Utilities (Yellowknife)

In the Northwest Territories, Northland Utilities renewed its franchise agreement with the City of Yellowknife in 2010. The 10-year agreement underscored the city's confidence in ATCO to provide electrical service. Serving nearly 8,000 customers, Yellowknife is Northland Utilities' largest franchise in the NWT.

Last year, the company implemented automatic meter reading in the northern capital. This new system means Northland Utilities no longer has to enter people's yards or businesses to gather meter information. Instead, information is obtained more efficiently and accurately through mobile collectors.

At the same time, Northland Utilities successfully completed phase six of an eight-phase 25 kV conversion in Yellowknife. The program is taking substations and electrical feeders up to new standards. It will also reduce long-term operating and maintenance costs as well as provide additional long-term transmission capacity for Yellowknife load growth. There are multiple benefits to Northland Utilities (Yellowknife) customers, including a higher level of service reliability and a reduction in system losses. There is also a direct environmental benefit through reduced diesel fuel consumption for generation.



For almost 60 years, Northland Utilities has been serving communities in the North. The company provides electricity to approximately 2,700 customers in Trout Lake, Kakisa, Dory Point, Fort Providence, Wekweeti (formerly Snare Lake), Enterprise, Hay River and K'atl'Odeeche First Nation.

Two hundred kilometres north of Yellowknife, in Wekweeti, Northland Utilities (NWT) received a band council resolution to extend its franchise agreement with the community for another 10 years. Wekweeti is one of several remote communities that rely solely on Northland to both generate and distribute power. The community of Trout Lake has also issued a new 10-year resolution. These resolutions are yet another example of the good relationships Northland has with the northern communities it serves.

#### **Yukon Electrical**

For almost 110 years, The Yukon Electrical Company Limited has been providing electrical service to Yukoners. 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 almost 16,000 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 2010, Yukon Electrical focused on ways of reducing electrical demand and reliance on diesel fuel – with the customer in mind. The company is participating in a Demand Side Management program to work with customers in reducing electrical demand. Yukon Electrical installed 24 LED streetlights as a pilot project to evaluate their lower electrical consumption characteristics. In addition, a study of a combined wind-diesel generating system

was carried out to evaluate the reduction of fuel consumption by using wind power. The company is also looking at adding incremental hydro capacity at its Fish Lake generating facility.

#### Inuvik Gas/ATCO Midstream

In the western Arctic, ATCO Midstream continues to grow its business. As a one-third partner in the Ikhil Joint Venture and Inuvik Gas, ATCO Midstream is focused on the production, gathering and processing of natural gas for the town of Inuvik, NWT. The gas originates from two wells at the Ikhil reservoir, located 50 km northwest of Inuvik. A pipeline transports a supply of natural gas for power generation, commercial and residential heating for the town of 3,500. 2010 marked the 11th anniversary of Inuvik Gas and 11 new commercial customers.

### ATCO Energy Solutions/ATCO Gas

Straight south of Inuvik in Norman Wells, ATCO stepped up when the town of Norman Wells asked for assistance. Various ATCO companies helped the town through a gas supply outage in the summer. Under the coordination of ATCO Energy Solutions, an ATCO Gas team mobilized a propane-air distribution plant and operators from Calgary to Norman Wells to keep the town gas distribution system operating during the supply outage. The propane-air plant was staffed 24-hours-a-day for almost a month to ensure a safe and reliable gas supply to the town's distribution system. ATCO employees also undertook a number of maintenance and inspection activities to help the town assess the condition of the gas distribution system to ensure safe and reliable delivery of gas to its customers.



The North Edmonton Operations Centre uses natural gas-powered geothermal heating and cooling technology.

# **ATCO Gas**

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

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

In July, the City of Edmonton approved a 20-year renewal of the ATCO Gas franchise agreement to continue to provide natural gas distribution services to more than 250,000 customers in the city.

ATCO Gas has enjoyed a long history with Alberta's capital city having provided it with natural gas service since 1923. Edmonton and the capital region have the largest concentration of ATCO employees, and ATCO Gas continues to grow its business in the area.

An independent survey of Albertans in 2010 indicated that 94 per cent of customers had an overall favourable impression of ATCO Gas.

#### **Responding to Growth**

Economic growth in Alberta brought increased demand for ATCO Gas service. In total, nearly 20,000 new service connections were made. To better meet the growing needs of its customers,

ATCO Gas opened two new operations centres and completed construction on a third.

To enhance service in the capital region, the North Edmonton Operations Centre (NEOC) officially opened in March. NEOC is the largest commercial building in Canada to use natural gas-powered geothermal heating, ventilating, and cooling technology. The facility uses 40 per cent less energy than similar-sized buildings. It is estimated to reduce carbon dioxide emissions by 60 metric tonnes annually. This achievement resulted in ATCO Gas becoming a finalist for an Alberta Emerald Foundation Award in 2010.

Construction on ATCO Gas's third natural gas-powered geothermal facility, the Airdrie Operations Centre, was completed in 2010.

In response to continued economic growth in northeast Alberta, ATCO Gas opened a new operations centre in Fort McMurray. The new facility was redesigned to better meet service demand for the rapidly growing Wood Buffalo region.

#### **Major Gas Line Replacement Project**

In September, the Blackfoot Trail mains project in Calgary wrapped up with the completion of its second phase. It was the largest capital project undertaken by ATCO Gas in 2010. Work involved replacing 16-inch diameter gas line mains with new 24-inch lines along a 16-block stretch of a major roadway in Calgary.

The project presented many unique challenges such as high traffic volume, possible disruption to businesses, railroad crossings, large intersections and proximity to other utilities. Special work processes were employed to ensure the work was done safely and with minimal disruption. The project was completed on time and under budget.

#### **Natural Gas and Safety**

ATCO Gas reinforced its commitment to public safety. The "Call Before You Dig" damage prevention program resulted in a continued reduction in the number of natural gas line hits. The annual public safety program is intended for contractors and homeowners. It promotes use of the Alberta One-Call free line-locate program to avoid hitting underground utility lines when excavating. In 2010, the number of line locates increased and the number of damages per 1,000 line locates was the lowest since 2004.

ATCO Gas also undertook a province-wide winter yard safety campaign to encourage homeowners to keep yards free of hazards and sidewalks shovelled to protect themselves and ATCO Gas employees from accidents.

A carbon monoxide safety campaign was also undertaken in 2010 to educate Albertans on how to detect and avoid carbon monoxide in the home.

#### **Environmental Innovation**

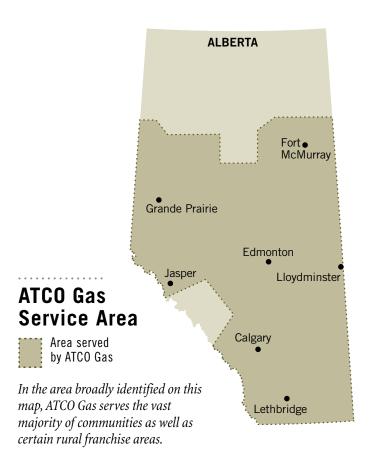
In only its third year in operation, the ATCO Gas Drake Landing solar project in Okotoks became the first solar community in the world to receive 80 per cent of its yearly space heating through solar energy.

Drake Landing is the largest subdivision of energy-efficient and environmentally responsible new single family homes in Canada. ATCO Gas has partnered with other organizations such as Alberta Environment, Sterling Homes and Climate Change Central to fund this one-of-a-kind community.

ATCO Gas operates one of the largest natural gas vehicle fleets in Alberta. More than 250 of its fleet vehicles are powered by the clean-burning fuel. This results in significant greenhouse gas reductions each year.



The Blackfoot Trail mains project in Calgary replaced gas lines along a 16-block stretch of a major roadway.





ATCO Pipelines' Southern Extension project will be completed in 2011, bringing online 169 km of new transmission pipeline and facilities.

ATCO Pipelines' Rockyview Carbon facility, a major hub for natural gas service throughout ATCO's southern Alberta system.

# **ATCO Pipelines**

ATCO Pipelines has been an integral part of Alberta's provincial natural gas transmission system for almost 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 more than 8,400 km of pipeline with approximately 4,100 receipt and delivery points.

These high-pressure pipelines and facilities are located throughout the province, covering both urban and rural areas. To ensure public safety and system reliability, ATCO Pipelines has comprehensive preventive maintenance and integrity programs in place. Methods used to test our facilities include a cross-section of practices, including: leak surveys, in-line inspections, cathodic protection surveys, visual inspections and capital improvements. The company's capital expenditures for pipeline upgrades and expansions was \$83 million last year.

## ATCO Pipelines – NGTL Operating Systems Integration

In 2010, ATCO Pipelines and TransCanada Corporation's wholly owned subsidiary, NOVA Gas Transmission Ltd. (NGTL), made significant progress toward the integration of their service and systems in Alberta. The companies received initial approvals from the Alberta Utilities Commission and the National Energy Board to proceed towards implementation of an initiative that would see integration of the companies' two separate operating systems, rates, and customer service within Alberta.

As a result of an agreement between the two companies in 2008, the arrangement would see the companies combine physical assets under a single rates and services structure, with a single commercial interface with customers, but with each company separately managing assets within distinct operating territories throughout the province. It is expected that the model will end duplicative tolling and operational activities and will result in more efficient regulatory processes.

As the two companies await the opinion of the federal Competition Bureau, they are working together in preparation of the next steps required to implement systems designed to improve service for all Alberta customers. Instead of competing for





The ATCO Pipelines Control Centre in Edmonton where employees monitor ATCO's high-pressure natural gas system 24-hours-a-day, seven-days-a-week.

# **Urban Pipeline Renewal Project**

Improving the safety and reliability of the high-pressure natural gas transmission systems in Alberta's two major urban centres of Calgary and Edmonton is a major initiative for ATCO Pipelines.

After extensive preparation in 2010, ATCO Pipelines is planning to create the equivalent of a ring road of high-pressure transmission pipelines away from the highly developed and populated areas where the pipelines are currently located. The existing pipelines were built more than four decades ago when the two major Alberta cities were much smaller. Over time, these pipelines have become surrounded by urban growth.

Construction on these pipelines is projected to start in 2011 and continue for five years. The new, larger pipelines will have additional capacity for growth and will be installed within existing utility corridors in the two cities. In Calgary, the Stoney Trail ring road is the main utility corridor while in Edmonton the corridor is Anthony Henday Drive.

Where required, the existing pipelines will be transferred to ATCO Gas to be used as infrastructure within its distribution system.

customers, they will provide seamless natural gas transmission service to customers throughout the province.

Pending approval, full implementation will be completed by mid-2012.

#### **Pipeline Expansion and Upgrade Projects**

In 2010, ATCO Pipelines undertook several significant pipeline projects to ensure reliability of service and meet customer demand.

The Inland Pipeline System project involved several upgrades to various valve assemblies along this major transmission pipeline that is vital for service to the Fort Saskatchewan and Edmonton markets. The improvements allow for the internal passage of an inspection device that will be used to detect any defects in the pipeline. The technology permits proactive repair of potential defects to ensure the long-term integrity of the pipeline.

With the Southern Extension project, which runs from Red Deer to Ryley, ATCO Pipelines is replacing 169 km of pipeline originally built in 1945–1946. The original pipeline has reached the end of its operational life and is being replaced with a new pipeline. The three-phase project commenced in 2008 and will be completed in 2011. In 2010, workers completed 71 km of replacement pipe, with the final 64 km scheduled for completion next year. The project involves close coordination with distribution companies as the pipeline serves hundreds of connections with these customers.

In Fort Saskatchewan, a major delivery station was commissioned by ATCO Pipelines for a large industrial customer. The customer requested 43,000 gigajoules per day of gas delivery from ATCO Pipelines for its upgrader expansion project. The station has many layers of redundancy built-in so that the failure of any single piece of equipment will not result in a station shut down. Creating safeguards to ensure sustainable operations was an important aspect of the design of this facility.

Last year, a new pipeline lateral to Stony Plain was installed to ensure security of supply to customers. To support growing core market demand in Stony Plain, ATCO Pipelines installed approximately seven km of pipeline to serve a new gate station on the north side of the community.

#### Advanced controls help reduce fuel usage

Enhanced engine controllers were installed at ATCO Pipelines' Cloverbar compressor station. The enhanced engine controllers regulate the ratio of air to fuel present during the combustion process of the compressor, leading to an improvement in the efficiency of the compressor station. The controllers will reduce ATCO Pipelines' carbon footprint by about 1,000 tonnes CO<sub>2</sub>e per year, equivalent to taking approximately 180 cars off the road.



The new 3,000 square foot ATCO Blue Flame Kitchen Learning Centre in Calgary.

# **ATCO Blue Flame Kitchen**

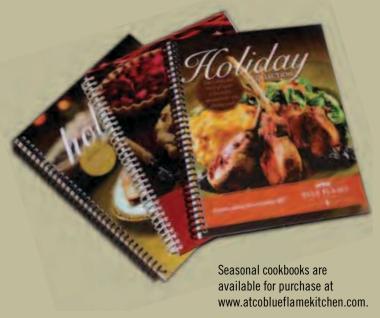
ATCO Gas celebrated the opening of its first Blue Flame Kitchen Learning Centre in Calgary in October 2010, building on its 80-year history of providing Albertans "expert advice for everyday life."

ATCO Gas has taken an innovative approach to raising consumers' awareness of energy safety and efficiency by adding an important new dimension to a longstanding, trusted and valued Alberta service. ATCO Blue Flame Kitchen, the original home service department of ATCO Gas dating back to 1930, was developed originally to help homemakers get the best results when using the "exciting new cooking fuel—natural gas."

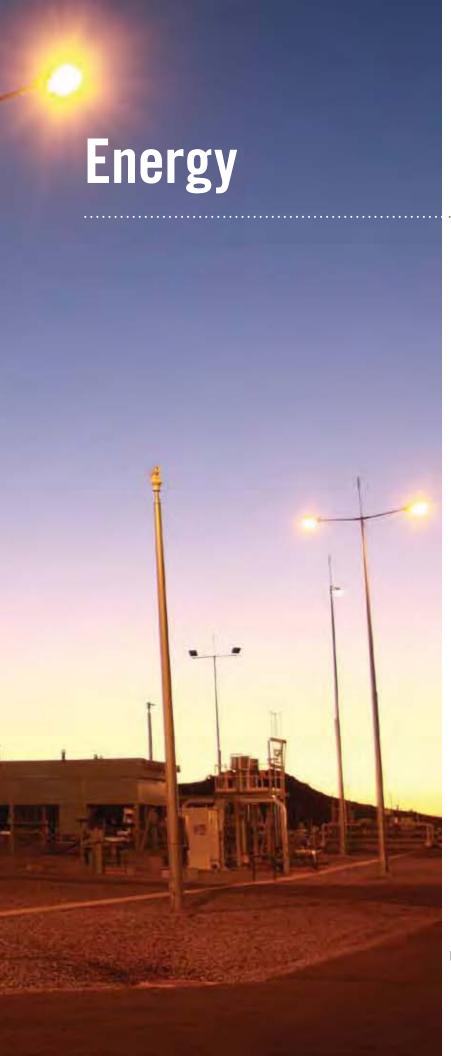
The new Learning Centre offers cooking classes that explore different cuisines and cooking techniques, as well as educational programs that address food safety, preparation, household dilemmas, energy safety and efficiency around the home. Classes are tailored to adults and families and specially designed school programs will also be offered.

Customers can also engage with many other ATCO Blue Flame Kitchen services, which include a toll-free advice line, website and cookbooks. Energy safety messages are incorporated across all the customer "touch points" and support all of the utility's safety campaigns, including "Call Before You Dig."

Together, these initiatives work to bring home messages of safety and efficiency for ATCO customers.







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

## **ATCO** Power

- Developer, construction manager, owner and operator of technologically advanced and environmentally progressive independent power generation plants
- Operated 19 power generation plants in Canada, the United Kingdom and Australia (now 16 plants with the launch of ATCO Australia-see page 19)
- 19 plants have combined capacity of approximately 5,000 MW, and a total ownership interest of about 57 per cent

## **ATCO** Midstream

- Has ownership interest in 10 natural gas gathering and processing facilities and four natural gas liquids extraction facilities
- Processing capacity of 1.8 billion cubic feet per day
- Combined natural gas storage capacity of more than 40 billion cubic feet
- One-third interest in the Ikhil Joint Venture and Inuvik Gas, located in Inuvik, NWT

Karratha power generating station in Western Australia.



ATCO Power's Sheerness generating station, located near Hanna, Alberta. The turbine shaft is connected to an electrical generator to produce 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 and select global markets.

With a combined capacity of approximately 5,000 megawatts (MW) (2,811 MW of which are owned directly by the company), ATCO Power in 2010 operated 19 generating facilities in Canada, the United Kingdom (U.K.) and Australia: 16 facilities fuelled by clean natural gas, one emissions-free hydroelectric facility and two coal-fired plants. <sup>1</sup>

#### **Success in New Plant Construction**

In June, ATCO celebrated the official opening of its Karratha power generating station in Western Australia. Constructed, owned and operated by ATCO, the 86 MW facility is the most efficient and environmentally friendly gas-fired generating

station in the region. The generating station supplies electricity under a 20-year contract with state-owned Horizon Power.

Located in the resource-rich northwest quadrant of Western Australia, 1,600 km north of Perth, the Karratha power station was constructed using the world-class expertise of ATCO Power. It was built ahead of schedule, under budget and without a single lost-time incident. Karratha is ATCO's third generating station in Australia. <sup>2</sup>

#### Refocusing the Power Business

Due to the economic downturn, the generating industry is especially challenged in the U.K., where ATCO Power's long-term off-take contract expired in 2010, exposing the 1,000 MW Barking gas-fired generating facility to market prices. There is significant focus on Barking's long-term success as ATCO Power moves into a new era of U.K. operations.

- 1. ATCO Power operated an additional 14 MW at the Heathrow Cogeneration Plant with EDF Energy plc through their joint venture company Thames Valley Power (TVP) until July 2010; upon contract expiry TVP sold the plant and equipment in the facility to the British Airport Authority.
- 2. Effective January 2011, the three Australian generating facilities of ATCO Power were transferred to ATCO Australia, a new ATCO subsidiary focused on pursuing opportunities in the country's energy sector (see page 19).

### ATCO's Worldwide Power Generation Facilities

12 POWER PLANTS IN ALBERTA

POWER PLANT IN BRITISH COLUMBIA

POWER PLANT IN SASKATCHEWAN

POWER PLANT IN ONTARIO

1 POWER PLANT IN UNITED KINGDOM

3 POWER PLANTS IN AUSTRALIA

# 2010 ATCO Power Generating Capacity

GENERATING CAPACITY (MW)

GENERATING CAPACITY
OWNED (MW)

2,811

4,957

**10 (1)** 8 ALBERTA 4629 41 13 **ONTARIO** CANADA 18 **QUEENSLAND** UNITED KINGDOM WESTERN **SOUTH AUSTRALIA AUSTRALIA AUSTRALIA TASMANIA** 

#### Canada

(13) Sheerness 1 & 2

15 Valleyview 1 & 2

Sturgeon

	Facility Ne		denerating apacity		Fuel Type
1	Battle River 3, 4 & 5	•	670 MW	•	Coal
2	Brighton Beach	•	580 MW	•	Natural Gas
3	Cory	•	260 MW	•	Natural Gas
4	Joffre	•	480 MW	•	Natural Gas
5	McMahon	•	120 MW	•	Natural Gas
6	Muskeg River	•	170 MW	•	Natural Gas
7	Oldman River	•	32 MW	•	Run-of-River Hydro
8	Poplar Hill	•	45 MW	•	Natural Gas
9	Primrose	•	85 MW	•	Natural Gas
10	Rainbow Lake 1, 2 & 3	•	88 MW	•	Natural Gas
1	Rainbow Lake 4 & 5	•	90 MW	•	Natural Gas
12	Scotford	•	170 MW	•	Natural Gas

• 760 MW

• 18 MW

• 90 MW

Coal

Natural Gas

· Natural Gas

#### **United Kingdom**

oniteu kinguom						
Facility	Net Generating Capacity	Fuel Type				
6 Barking	• 1,000 MW	<ul> <li>Natural Gas</li> </ul>				
Australia						
Bulwer Island	• 33 MW	<ul> <li>Natural Gas</li> </ul>				
18 Karratha	• 86 MW	<ul> <li>Natural Gas</li> </ul>				
Osborne	• 180 MW	<ul> <li>Natural Gas</li> </ul>				



Battle River power station control room, located at Forestburg, Alberta.

Overall, 2010 was a challenging year for ATCO Power with low power pool prices, not only in the U.K., but in Alberta as well. However, ATCO Power has made significant debt repayments in recent years, which has positioned the company well to weather the current market conditions.

In addition, ATCO Power restructured to create a more streamlined organization focused on finding efficiencies in its base business while maintaining a high safety priority. Where possible, employees were redeployed to other ATCO companies to assist in the growth of those companies. ATCO Power also transferred in the assets of Alberta Power (2000) Ltd. from CU Inc. in October 2010, and ATCO Resources Ltd. from ATCO Ltd. in January 2011. These transfers allow for clear ownership of ATCO's Canadian power generating plants and create efficiencies and simplification of administration and financial reporting.

#### **Maintaining Quality and Safety Performance**

Despite the challenges, ATCO Power maintained a strong focus on employee development, training, leadership and succession planning throughout the organization. As in previous years, safety remained the number one priority. Through the efforts of all its employees, the company achieved significant health and safety milestones, including receiving the 2009 Canadian Electrical Association President's Bronze Award of Excellence for Employee

Safety in 2010. The Joffre, Muskeg River and ATCO Power's smaller facilities in Alberta achieved 10 years without a lost-time incident. The company also introduced new office safety and safe driving policies and programs.

The company's ability to maintain safe, reliable operation while implementing effective cost controls was validated with benchmarking studies that confirmed the facilities studied (Battle River, Sheerness, Joffre and Brighton Beach generating stations) are operating very well relative to their industry peers.

#### Demonstrating Environmental, Industry and Community Leadership

ATCO is actively participating and consulting with the provincial and federal governments regarding the power generation industry's future. This consultation includes the development of greenhouse gas and other pollutant regulations as well as discussions regarding the future of coal-fired generation.

ATCO Power has established a team to review operations at its 670 MW Battle River coal-fired generating facility in Forestburg. The power purchase arrangements for two of the three units at the plant are set to expire at the end of 2013. The team is charged with studying all aspects related to the end of the power purchase arrangement, including potential options to keep the plant operational to continue to serve the needs of the province.

The Battle River and Sheerness stations installed and conducted testing on mercury capture equipment; this equipment came into service at the end of 2010 and is designed to capture more than 70 per cent of the mercury contained in the coal.

ATCO Power also maintained key community investment initiatives, especially in the area of education, where scholarships support the recruitment of power technology graduates needed to staff power generation plants in rural Alberta communities. The company demonstrated a commitment to support communities where employees work with donations to a community centre in Forestburg and a fire hall in Hanna.

#### **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 and its customers achieve 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.

For every metric tonne of cement displaced by fly ash, approximately one metric tonne less of CO<sub>2</sub> is released into the atmosphere.



The Golden Spike Gas Plant, located west of Edmonton, Alberta, is part of the ATCO Midstream Integrated Gas System.

## **ATCO Midstream**

ATCO Midstream provides natural gas gathering, processing, storage and liquids extraction to the Canadian natural gas sector. Focusing on its customers' needs, ATCO Midstream creates customized solutions and lasting customer relationships by drawing upon a proven track record and a partnership approach to business.

Since 1992, the company has played a significant role in the natural gas industry through its facilities in Alberta, Saskatchewan, Manitoba and the Northwest Territories. 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.

ATCO Midstream 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.

In 2010, low natural gas prices caused by strong North American supply created a challenging environment for ATCO Midstream. The company benefited from higher frac spreads in its Natural Gas Liquids business unit despite lower cross-border flow, increased competitive pressures and increased transportation

costs. The company was able to find additional value through the contracting of new gas volumes and enhanced natural gas liquids sales arrangements.

Low natural gas prices resulted in reduced drilling activity which impacted gas plant throughput in its Gas Gathering and Processing business unit. ATCO Midstream continues to seek solutions to consolidate gas plants and to lower unit processing costs to provide its customers with the most competitive operating costs possible. The effect of warmer than normal summer weather and strong gas supply reduced seasonal gas price volatility which affected storage differentials in the Storage and Energy Services business unit. Despite these challenges, the business unit was able to increase its customer base in 2010 by providing customer focused storage sevices.

Throughout the year, ATCO Midstream focused on cost reductions while maintaining plant availability at high levels. Initiatives focused on reducing power costs and optimizing the efficiency of existing plants so that the company could offer its customers competitive fees and had the added advantage of reduced environmental impact and lower emissions.



#### **ATCO Midstream Facilities**

- Natural Gas Gathering Processing Facilities
- Gas Liquids Extraction Facilities

Facility	Licensed Capacity (mmcf/day)	
1 Carbondale Gas Plant	56	
Cranberry Gas Plant	36	
3 Golden Spike Gas Plant	65	
4 Kinsella Gathering and Comp	pression Facility 20	
5 Nottingham Gas Plant	18	
6 Kisbey Gas Plant	5	
7 Ikhil Gas Plant	8	
8 Puskwaskau Gas Plant	21	
Watelet Gas Plant	20	
10 Widewater Gas Plant	12	
Edmonton Ethane Extraction	on Plant 390	
Empress Gas Liquids Strac	ddle Plant 1,100	)
Willeneuve Ethane Extraction	on Plant 40	
Fort Saskatchewan Ethane	Extraction Plant 37	

## **ALBERTA SASKATCHEWAN** 2 (10) 8 (1) 14 Edmonton (3) (4) Saskatoon (9) Red Deer Calgary Regina 12 6 5

#### **Facilities Expansion**

In 2010, ATCO Midstream continued to expand its service offerings and geographical reach to customers in the Bakken Shale located in southeast Saskatchewan.

ATCO Midstream and SaskEnergy Inc. commissioned a major expansion project at the Kisbey Gas Plant. The \$44 million project, funded jointly by SaskEnergy's Bayhurst Energy Services Corporation and ATCO Midstream, increased the capacity of the Kisbey Gas Plant to five million cubic feet of gas per day. It also extended the current gathering system by the addition of 48 km of gathering pipelines and two compressor stations. The expansion captures solution gas volumes and enhances producers' revenues while reducing greenhouse gas emissions. At its new capacity, the Kisbey Gas Plant is capable of removing up to 115,000 tonnes of greenhouse gases from the atmosphere each year. That's equivalent to the emissions produced by more than 17,000 homes.

#### **People and Safety**

A year after ATCO Midstream presented the first annual Medicine Hat College Power Engineering Scholarships, the company was able to hire the first two recipients as full-time operators at its Empress facility.

Health, safety, security and environment continue to be of paramount importance for ATCO Midstream. In 2010, nine facilities were honoured with awards from the Gas Processing Association Canada. These include:

- Carbondale Gas Plant
- Cranberry Gas Plant
- Empress Gas Liquids Straddle Plant
- Fort Saskatchewan Ethane
   Extraction Plant
- Golden Spike Gas Plant
- Kisbey Gas Plant
- Villeneuve Ethane Extraction Plant
- Watelet Gas Plant
- Widewater Gas Plant

## **ATCO I-Tek**

ATCO I-Tek manages business-critical technology, applications and end-to-end business processes for 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.

ATCO I-Tek provides application development and integration; workstation and customer support; server, network and security services; voice systems; infrastructure planning and implementation; and technical support. The company also provides reliable, large-scale retail energy and utility customer care and billing, managing approximately 2.5 million customer relationships in one of the most complex industry structures in North America.

As the high-tech world continues to grow, so too does ATCO I-Tek. In a year marked by continued demand from industry and government for managed services and co-location facilities, ATCO I-Tek laid the groundwork to build a new world-class data centre in Alberta and expanded its suite of IT infrastructure clients. The company also achieved an elite level of certification, implemented several significant systems integration and enhancement projects, and rolled out new technologies to improve services and efficiencies for its clients.

#### **Expanding Data Centre and Infrastructure Services**

Recognizing the need for new data centre facilities and technology management services, ATCO I-Tek commenced planning to build a data centre in Alberta. This significant project will be a key element of ATCO I-Tek's continued growth and will contribute to the economic well-being and growth of Alberta's technology sector.

Leveraging its technology infrastructure expertise, ATCO I-Tek also expanded its base of external clients, including a contract with the City of Edmonton. The City of Edmonton required a secondary data centre solution to complement its computing environment, which in turn allows the City to run its businesses and deliver services to the citizens of Edmonton. ATCO I-Tek was awarded a three-year contract with the City with renewal options that could make the total term 10 years. Along with access to ATCO I-Tek's data centre facilities, the City will have access to ATCO I-Tek's technical expertise and support.

#### **Data Security Certification**

Fundamental to ATCO I-Tek's ability to provide services to customers is the requirement to demonstrate strong security, processes and controls when managing solutions on behalf of its customers.

In 2010, ATCO I-Tek achieved Payment Card Industry Data Security Standard (PCI DSS) certification, an elite level within the



One of two ATCO I-Tek Data Centres in Alberta.

industry. The internationally recognized certification demonstrates the company's ongoing commitment to pro-actively protect customer credit card information.

PCI DSS specifies stringent and comprehensive requirements for security management, standards, policies, procedures, network architecture, software design and other critical protective measures. The certification validates that ATCO I-Tek's technical and operational data security solutions meet the strict standards established by the Payment Card Industry Security Standards Council, effectively safeguarding its clients from data breaches.

#### Other Operational Achievements

ATCO I-Tek implemented several significant systems integration and enhancement projects for its clients including an integrated solution to manage ATCO Electric's increasing volumes of meter data.

Applying leading application development methodologies, ATCO I-Tek also developed and integrated functionality for ATCO Electric that streamlines enrollment for energy retailers and simplifies bills for municipalities.

The company rolled out several new technologies including a virtual desktop and server environment that will provide efficiencies and improved service, and implemented numerous Voice over Internet Protocol (VoIP) solutions that will enhance the network and telephony functionality of ATCO I-Tek's customers.



Summer students Andrea Fleury (Métis - left) worked in Distribution Asset Management and Jenna Calahashen (Sucker Creek Cree Nation) supported the public consultation team for the Eastern Alberta DC Transmission Line.

## **ATCO's Aboriginal Commitment**

ATCO works to build and maintain mutually beneficial relationships with Aboriginal communities and their people based on respect, trust and understanding of their interests. In 2010, ATCO continued to strengthen its relationships with Aboriginal communities across Canada. This was done through the signing of several memorandums of understanding (MOUs), partnering with the Government of Alberta to sponsor the Alberta's Future Leaders program, and ongoing community investment, support and recognition.

ATCO values the opportunity to establish positive working relationships with Aboriginal communities throughout Canada. 2010 was a dynamic year for ATCO Structures & Logistics, which signed one joint venture agreement and five MOUs to provide camp and camp services with communities in British Columbia, Saskatchewan, Ontario, and Nunavut.

ATCO Group and Northland Utilities sponsored the 40th Dene National Assembly. The Dene National Assembly represents all native people in regions of Denendeh of the NWT, including the Akaitcho Territory Government, Deh Cho First Nations, Gwich'in Tribal Council, Sahtu Dene Council and Tlicho. ATCO has had a long-term working relationship with the Dene people.

Wherever possible, ATCO seeks to support Aboriginal organizations and initiatives that contribute to sustainable economic and social development of Aboriginal communities. ATCO believes that supporting sustainable communities means also investing in young leaders through promoting education and providing work opportunities.

In partnership with the Government of Alberta, ATCO Electric provided financial and in-kind support to the Alberta's Future Leaders program for the Aboriginal communities of Peerless Lake and Trout Lake. Program components include sporting activities such as rock climbing, hiking and canoeing, and performing and visual arts. The program also includes leadership initiatives to build interpersonal development skills such as teamwork, self-esteem and conflict resolution. ATCO's support of the program helps local youth develop leadership skills and self-confidence so that they can be positive role models and help improve the quality of life in their communities.

ATCO Electric continued to demonstrate its effort to provide training and work opportunities to Aboriginal youths through the company's Aboriginal Summer Student Program, and by participating in career fairs such as the National Aboriginal



Summer students Alana Runningrabbit (Siksika Nation - left) worked in Lands and Properties and Heather Mackinaw (Ermineskin Cree Nation) worked in Land and Records Management.

Achievement Foundation's Blueprint for the Future (BFF) career fair. BFF is a series of national career fairs designed to attract First Nation, Métis, and Inuit high school students to the wide array of potential careers available in all employment sectors.

ATCO Electric also collaborated with the Northern Alberta Institute of Technology to develop the ATCO Electric Aboriginal Pre-Technology Award.

On a local level, employees from ATCO Pipelines hand-delivered Food Bank donations to several First Nations with which ATCO Pipelines has relationships in the province of Alberta. In addition, ATCO employees participated in a number of events held by Aboriginal communities by volunteering their time and equipment that would otherwise be a cost to the communities.

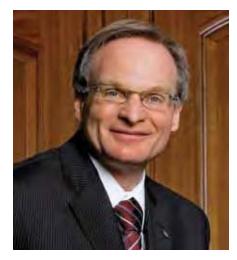
ATCO is also pleased to recognize Major Robert (Bob) Crane (Retired), Senior Manager for Business Development with ATCO Structures & Logistics. On Remembrance Day, Mr. Crane was honoured at the 2010 Siksika Nation Armed Forces Pow-wow for achieving the highest rank of any Siksika First Nation veteran. In following the Siksika First Nation's traditional way of honouring warriors going into battle and celebrating their victorious return, Mr. Crane was granted a Siksika Warrior's head dress.



Since 2005, ATCO Group has sponsored the Arctic Youth Leadership program, a 14-day development and leadership training opportunity for Aboriginal youth.

Summer student Amber Scoville (of Métis heritage) started as a student and now works full time as a Health, Safety & Environment Coordinator in Construction.





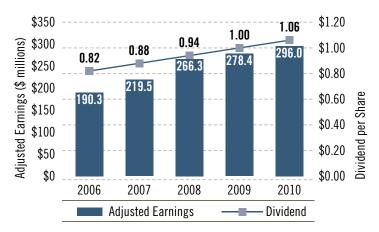
# Financial Excellence 2010

Brian R. Bale Senior Vice President & Chief Financial Officer

ATCO has demonstrated reliability through its ability to generate strong earnings growth, even in challenging market conditions. In addition, the company has maintained financial strength through a strong balance sheet, which positions it well to realize on future growth opportunities. ATCO has also provided growth through a significant and well defined capital program in excess of \$5 billion over the next three years. These three pillars of reliability, financial strength, and growth provide the foundation for delivering continuing value for share owners over both the near and long term.

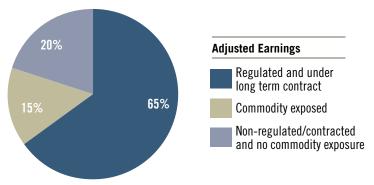
#### Reliability with Opportunity for Premium Returns

ATCO's diversified business platform has delivered notable returns and earnings growth over many years. This high degree of reliability has enabled ATCO to consistently increase dividends every year since 1993. The following chart illustrates the growth in adjusted earnings and dividends over the last five years. Adjusted earnings exclude one-time gains and items that are not in the normal course of business.



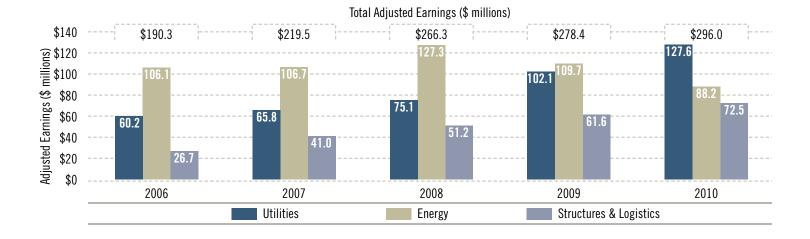
Approximately 65 per cent of adjusted earnings were generated from lower risk regulated utilities and operations that are supported by long term contracts. The remaining 35 per cent of adjusted earnings are generated from non-contracted power, energy services and other operations. Included in this 35 per cent is approximately 15 per cent that has direct exposure to commodity price fluctuations.

The benefits of diversification within ATCO have contributed to its reliable performance. The company's commodity-based businesses are well positioned to benefit from improvements in commodity markets in the future. While commodity markets will in all likelihood continue to be volatile, ATCO has demonstrated that earnings growth can still be supported by the lower risk regulated utility and other long term contracted operations.



The effect of diversification can best be illustrated by highlighting the relative earnings contribution from ATCO's three primary business segments (excludes Corporate & Other). In a period where one business may be experiencing slower growth, another business has grown more rapidly. The net impact has been multiple businesses working together to generate an overall increase in year-over-year earnings.

ATCO continues to focus on enhancing its geographic diversification. The company recently announced the launch of ATCO Australia which will take advantage of opportunities to further diversify its operations.

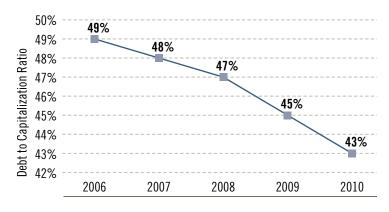


#### **Financial Strength**

ATCO has a strong balance sheet, which together with its diversified low risk business platform, is reflected in its 'A' credit ratings. At December 31, 2010, ATCO had \$645 million of cash together with close to \$1.4 billion of bank lines, providing a significant source of liquidity.

ATCO has grown its total assets by \$2.5 billion over the past five years from \$7.7 billion to \$10.2 billion, an increase of 33 per cent. The company has not only maintained a strong balance sheet throughout this period of significant growth, but strengthened it with a Debt to Capitalization ratio of 43 per cent at the end of 2010 as compared to 49 per cent in 2006.

ATCO is committed to preserving its high investment grade ratings and will maintain an appropriate capital structure and an ample amount of liquidity through the major expansion program currently underway. Together with significant amounts of funds generated from operations that are available for reinvestment in the business, ATCO expects it will also look to issue significant amounts of long-term debt and preferred shares to finance its capital program through to 2014.



#### Growth

Over the next three years, ATCO has in excess of \$5 billion of growth projects. Two of the largest projects are the estimated \$1.6 billion 500 kV Eastern Alberta Direct Current (DC) Transmission Line that will run along a corridor on the east side of Alberta between Edmonton and Calgary, and the estimated \$800 million Hanna Region Transmission Development in the southeast region of the province. The 500 kV DC line is considered part of the province's critical transmission infrastructure and was assigned to the company in 2009 by the Government of Alberta. The need for major transmission reinforcement in the Hanna area was approved by the Alberta Utilities Commission. Engineering and design work has commenced and final approvals for these projects are expected to be received by Q4 2011.

Expansion programs in our regulated companies will increase the size of the company by over 50 per cent, and will deliver significant long-term returns for share owners. For every \$1 billion of capital invested in utility infrastructure, assuming 2010 approved regulatory returns and capital structure, the company will generate an average of \$14 to \$15 million of incremental annual earnings in the first five years after investment.

ATCO Structures & Logistics has grown rapidly over the last five years. Adjusted earnings have increased from \$26.7 million in 2006 to \$72.5 million in 2010, a compound annual growth rate of 28 per cent. Strong global demand for resources has translated into revenue and earnings growth at ATCO Structures & Logistics. Continued growth is expected into the future on the back of a robust global resources sector.

Reliability of earnings, a strong financial position, and a significant growth program are the three pillars that underpin ATCO's continuing commitment to delivering value for share owners today and into the future.

#### **Consolidated Annual Results**

(Millions of Canadian dollars, except as indicated)	2010	2009	2008	2007	2006
INCOME STATEMENT					
Revenues	3,445.4	3,108.9	3,265.6	2,901.8	2,860.9
Earnings (1)	3,11011	0,100.0	0,200.0	2,00110	2,000.0
Utilities	127.6	102.1	78.0	72.5	62.5
Energy	85.1	114.6	128.7	117.6	106.1
Structures & Logistics	72.5	61.6	51.0	41.9	29.0
Corporate & Other and Eliminations	7.7	5.0	14.5	17.3	9.2
Earnings (1)	292.9	283.3	272.2	249.3	206.8
Adjusted earnings <sup>(2)</sup>	296.0	278.4	266.3	219.5	190.3
BALANCE SHEET					
Cash (3)	645.2	1,020.2	848.1	822.3	865.7
Total Assets	10,239.8	9,954.6	8,669.2	8,014.2	7,695.9
Capitalization (4)		,	,	,	,
Long Term Debt	3,084.1	3,138.7	2,886.4	2,646.7	2,458.8
Non-recourse Long Term Debt	376.1	439.2	507.8	585.8	749.0
Preferred Shares	_	150.0	150.0	150.0	150.0
Non-controlling Interests	2,431.5	2,230.2	1,947.9	1,834.9	1,746.0
Share Owners' Equity	2,213.9	2,009.6	1,770.1	1,570.8	1,431.2
Capitalization <sup>(4)</sup>	8,105.6	7,967.7	7,262.2	6,788.2	6,535.0
CASH FLOW STATEMENT					
Funds Generated by Operations (5)	929.9	935.1	923.5	809.3	741.1
Capital Expenditures					
Utilities	788.9	776.1	852.6	588.7	505.0
Energy	68.2	150.6	117.8	56.8	56.9
Structures & Logistics	98.2	40.9	90.1	120.5	49.6
Corporate & Other	13.4	19.2	21.3	12.0	7.8
Capital Expenditures	968.7	986.8	1,081.8	778.0	619.3
RATIOS					
Return on equity (%)	13.9	15.0	16.3	16.6	15.0
Earnings per share (\$)	5.04	4.89	4.71	4.29	3.48
Adjusted Earnings per share (\$) (2)	5.09	4.81	4.61	3.77	3.20
Dividends paid per share (\$)	1.06	1.00	0.94	0.88	0.82
Equity per share (\$)	38.22	34.52	30.64	27.18	24.49
Class I Non-Voting closing share price (\$)	59.15	46.17	38.00	55.21	50.33
Class II Voting closing share price (\$)	59.20	45.84	38.46	54.50	50.20

Full disclosure of all financial information is available on the SEDAR website - www.sedar.com.

<sup>(1)</sup> Earnings attributable to Class I and Class II shares.

<sup>(2)</sup> Adjusted Earnings are defined as earnings attributable to Class I and Class II shares after adjustments for items that are not in the normal course of business or a result of day to day operations. This measure is not defined by Generally Accepted Accounting Principles and may not be comparable to similar measures used by other companies. Descriptions of the adjustments are provided in the Significant Non-Operating Financial Items section of each year's Management's Discussion & Analysis that is available on SEDAR.

<sup>(3)</sup> Cash is defined as cash and short-term investments less bank indebtedness.

<sup>(4)</sup> This measure is not defined by Generally Accepted Accounting Principles and may not be comparable to similar measures used by other companies.

<sup>(5)</sup> 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 Five-Year Operating Summary**

(Millions of Canadian dollars, except as indicated)	2010	2009	2008	2007	2006
UTILITIES					
Natural gas distribution operations					
Capital expenditures (1)	194.5	189.6	249.7	191.6	167.4
Pipelines (thousands of kilometres)	38.0	37.7	37.2	36.5	35.9
Maximum daily demand (terajoules)	2,169	2,184	2,130	1,819	1,861
Natural gas distributed (petajoules)	237	250	238	233	219
Average annual use per residential customer					
(gigajoules)	120	121	124	127	126
Customers at year-end (thousands)	1,057.4	1,037.4	1,022.2	1,001.8	969.9
Electric distribution and transmission operations					
Capital expenditures (1)	511.5	497.8	518.4	311.8	238.1
Power lines (thousands of kilometres)	73.0	497.6 72.1	71.5	70.9	70.1
Electricity distributed	73.0	72.1	/1.5	70.9	70.1
(millions of kilowatt hours)	10,532	10,431	10,594	10,744	10,286
Average annual use per	10,002	10,101	10,001	10,7 11	10,200
residential customer (kWh)	7,555	7,671	7,666	7,690	7,495
Customers at year-end (thousands)	237.2	233.1	228.2	223.0	216.3
Natural gas transmission operations					
Capital expenditures (1)	82.9	87.7	81.7	87.1	97.7
Pipelines (thousands of kilometres)	8.5	8.4	8.4	8.4	8.4
Contract demand for pipelines system					
access (terajoules/day)	4,757	4,877	5,034	5,143	5,032
ENERGY					
Capital expenditures (1)	68.2	150.6	117.8	56.8	56.9
Generating capacity (megawatts)	4,957	4,885	4,885	4,840	4,840
Generating capacity owned (megawatts)	2,811	2,732	2,732	2,687	2,695
Availability (%)	92.5	94.9	93.5	91.6	93.0
Natural gas processed (Mmcf/day)	401	401	435	478	480
Natural gas gathering lines (kilometres)	1,075	1,000	1,000	1,000	1,000
STRUCTURES & LOGISTICS					
Capital expenditures (1)	98.2	40.9	90.1	120.5	49.6
Workforce housing lease fleet (units in					
thousands)	2.7	2.4	2.3	2.3	2.4
Workforce housing lease fleet utilization (%)	78	74	80	86	89
Space rental lease fleet (units in thousands)	15.8	13.2	12.8	11.2	9.0
Space rental lease fleet utilization (%)	78	73	81	83	85

 $<sup>(1) \</sup>quad Includes \ purchases \ of \ property, plant \ and \ equipment \ and \ intangibles.$ 



Participants at the opening ceremonies of the 2010 Arctic Winter Games in Grande Prairie, Alberta.

## **Making a Difference in our Communities**

ATCO Group companies are committed to contributing to the quality of life in the communities where we do business and where our people work and live. Our investments include support to health and wellness, arts and culture, sports and recreation, youth and education, as well as projects and initiatives that strengthen the foundation of our communities. Working today to secure a healthy future is the philosophy behind the relationships ATCO has nurtured over many years of serving communities. In 2010, the ATCO companies undertook numerous initiatives ranging from contributing to local college scholarships and safe community programs to donations for fire halls and community centres.

#### 2010 Highlights

#### ATCO EPIC

Through the company-wide ATCO Employees Participating In Communities (EPIC) program, ATCO and its people pledged to donate \$2.97 million to more than 500 charities across Alberta in 2010. The program is a grassroots fundraising initiative involving employee-led committees that plan, implement and administer workplace fundraising campaigns within each ATCO company and the ATCO Group corporate office.

Employees donate to the charity of their choice and ATCO matches their donations to human health and wellness charities, giving people the opportunity to make a difference in their own community. ATCO also absorbs all administration costs, ensuring that 100 per cent of the funds go directly to benefiting organizations.

The ATCO EPIC Time to Give program was created to recognize the contributions made by ATCO employees who volunteer their time and talents to charitable and non-profit organizations that are important in their lives. In 2010, ATCO employees volunteered more than 34,000 hours to make our communities a better place to work and live.

#### ATCO Tyrrell Learning Centre

The Centre at the internationally renowned Royal Tyrrell Museum in Drumheller was officially opened in 2003 by the Government of Alberta and the ATCO Group of Companies. ATCO Group donated the funding to launch the ATCO Tyrrell Learning Centre to enrich technically advanced educational programming opportunities.

The 16,500 square foot Centre includes three learning zones, a hands-on workshop, a distance learning studio and an innovative outdoor interpretive area. The Centre has expanded the museum's



ATCO Tyrrell Learning Centre at the Royal Tyrrell Museum in Drumheller, Alberta.

education programs to meet the ever-increasing demand for information about Alberta's ancient history and famous dinosaur past, offering more video-conferencing programming than any other content supplier in Canada.

The Distance Learning Studio delivered more than 300 video-conferencing programs to almost 9,000 participants in 2010. In the past five years, audiences included more than 28,000 people across Canada and around the world, in 31 U.S. states and five countries including Mexico, Honduras and the Netherlands.

#### ATCO Gas Lost Kids Program

ATCO Gas has sponsored the Lost Kids program at the Calgary Stampede for the past 17 years, providing parents with extra support in protecting their kids. As parents enter the Stampede grounds, it has become a ritual to stop at the ATCO Gas Lost Kids Kiosk to ensure their children receive a wristband with a cell phone contact number written on it. If families become separated, the Lost Kids trailer provides an important meeting place.

The ATCO Gas Lost Kids stations distributed 42,000 wristbands to children and parents in 2010. ATCO employees volunteer to work at the kiosks in a Day of Caring on Kids' Day.



ATCO Gas volunteers sort food donations and pack hampers at the Calgary Inter-Faith Food Bank to help individuals and families in need.

The ATCO Gas Lost Kids Patrol provides ID wristbands to kids as they enter the Calgary Stampede. The program helps reunite lost kids with their parents.





Toys donated by ATCO employees brought smiles and laughter to the children of Haiti.

Shelby Gitzel, a Grande Prairie student, ignites the 2010 Arctic Winter Games cauldron from the ATCO Electric hybrid truck bucket. ATCO Gas built the cauldron that was permanently installed in Grande Prairie.



#### **Donations to Haitian families**

ATCO worked with a Haitian non-governmental organization (NGO), La Maison l'ARC-en-Ciel (Rainbow House), near Port-au-Prince, to distribute thousands of high-priority items, such as tools, medical and school supplies, toiletries, linens and toys to Haitian families following the earthquake in 2010.

The items were donated by ATCO employees who sought to provide tangible help for a country that has experienced so much devastation. ATCO employees working in Haiti (see page 18) got a ground-level view of the needs of Haitians and the response from employees across Canada was overwhelming, with more than 34,000 items donated in just a few weeks.

Rainbow House estimated that more than 600 people associated with their programs have benefited directly from ATCO's donations. The NGO has been recognized by UNICEF for its work with Haitian children and families.

#### Canadian Blood Services

ATCO Gas was recognized by Canadian Blood Services for its longstanding support of Canada's vital blood donor program. ATCO Gas was the first company to join the Alberta branch of

Canadian Blood Services' Partners for Life program in 2008. ATCO Gas employees annually pledge to donate at least 1,200 units of blood through the program and have either met or exceeded this goal since joining.

#### **Arctic Winter Games**

ATCO has been involved in the North since 1901, through Yukon Electrical and Northland Utilities Enterprises, both ATCO companies. In 2010, ATCO sponsored the 21st bi-annual Arctic Winter Games, held in Grande Prairie, Alberta.

Nearly 2,000 athletes and cultural participants from Arctic nations around the world competed and showcased their talents. ATCO provided people, products and services to the Games including the supply of temporary modular units used in the athletes' village and at the sport venues, support of the volunteer lounges, construction of the Games cauldron and volunteers.

ATCO has a long history of supporting Northern athletes, artists and performers as they participate in these events. ATCO employees who live and work in the North appreciate the opportunity to assist Northern youth in their quest for excellence.



## ATCO Ltd.

#### **DIRECTORS**

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

Bertrand P. Collomb

Honorary Chairman, Lafarge S.A.

Brian P. Drummond

President, Brican Investments Ltd.

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 and 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 and Lead Director

#### **OFFICERS**

Office of the Chairman:

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

Henry G. (Harry) Wilmot

President & Chief Operating Officer, ATCO Structures & Logistics

Susan R. Werth

Senior Vice President

& Chief Administration Officer

**Kevin J. Cumming** 

Senior Vice President, Northern Development & President, ATCO Midstream

Robert J. (Bob) Myles

Senior Vice President,

Corporate Development & Planning

#### **Corporate Office:**

Erhard M. Kiefer

Group Vice President, Human Resources & Corporate Services

Carson J. Ackroyd

Vice President, Marketing & Communications

Donald E. Belsheim

Vice President, Operational Audit

**Kevin P. Hunt** 

Vice President, Internal Audit & Risk Management

Robert C. (Rob) Neumann

Vice President, Controller

Patricia (Pat) Spruin

Vice President, Administration

& Corporate Secretary

Paul G. Wright

Vice President, Finance & Treasury

Carol Gear

**Assistant Corporate Secretary** 

#### PRESIDENTS AND SENIOR **EXECUTIVES OF PRINCIPAL** OPERATING SUBSIDIARIES

**Kevin J. Cumming** 

President, ATCO Midstream

John W. Ell

President, ATCO Power

Scott J. Garvey

President, ATCO I-Tek

Brian R. Hahn

President, ATCO Gas

Roberta L. (Bobbi) Lambright

President, Operations Division,

ATCO Electric

Steven I. Landry

Managing Director & Chief Operating Officer,

ATCO Australia

Settimio F. (Sett) Policicchio

President, Capital Projects Division,

ATCO Electric

Joseph J. (Joe) Schnitzer

President, ASHCOR Technologies

Henry G. (Harry) Wilmot

President & Chief Operating Officer,

**ATCO Structures & Logistics** 

Brendan G. Dolan

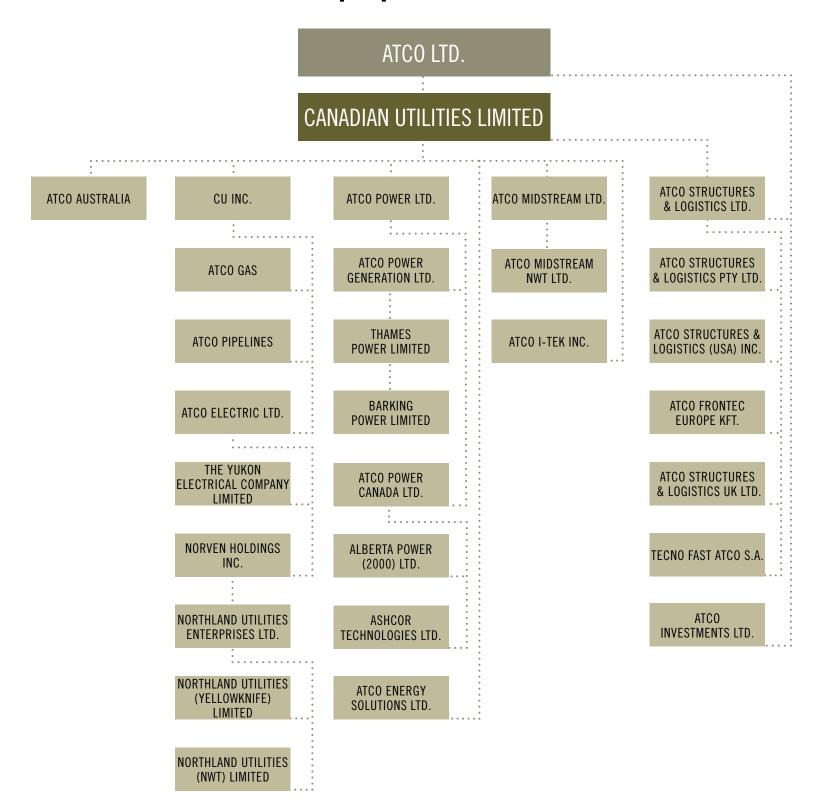
Senior Vice President & General Manager,

**ATCO Pipelines** 

Grant M. Lake

Senior Vice President, Development Division, ATCO Electric

## **ATCO Group Operational Structure**



## **ATCO's Beautiful Alberta Heritage**

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



## **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 am on Wednesday, May 11, 2011 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 Secretary 1400, 909 – 11<sup>th</sup> Avenue SW Calgary, Alberta T2R 1N6 Telephone: (403) 292-7500

Website: www.atco.com

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

## **ATCO** and the Environment

ATCO is committed to making significant strides in environmental innovation across the ATCO Group of Companies. ATCO Group's Sustainability Report consolidates key data and information from its eight diverse principal operating subsidiaries with more than 7,700 employees. The report covers the previous two years' performance in the areas of community, safety, employees and environment.

The report will be available at www.atco.com

Printed in Canada





