

CANADIAN UTILITIES LIMITED

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For Immediate Release

October 29, 2014

## **CANADIAN UTILITIES REPORTS 2014 THIRD QUARTER EARNINGS**

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

Canadian Utilities today reported third quarter adjusted earnings of \$122 million in 2014 compared to \$112 million in 2013. The major driver of these earnings was continued capital investment in Alberta's utility infrastructure.

During the quarter, Canadian Utilities continued to invest in electricity and natural gas transmission and distribution facilities to support growth in the province and replace aging infrastructure. Additionally, the third quarter was impacted by an interim Alberta Utilities Commission decision that allowed the company to recognize certain prudent capital expenditures dating back to the start of 2013. ATCO Electric, ATCO Gas and ATCO Pipelines collectively invested \$548 million in the third quarter, bringing the total for the nine months of 2014 to \$1.6 billion.

The increase in earnings for the quarter was partly offset by a 23 per cent decline in the average Alberta Power Pool price, increased natural gas prices and increased availability of coal-fired generation in the province, resulting in decreased earnings for ATCO Power over the same period in 2013.

Adjusted earnings were \$393 million for the nine months ended September 30, 2014 compared to \$423 million for the same period of 2013. The major driver of this decrease was unfavourable market conditions in the Company's power generation business, partly offset by continued growth in rate base of the Utilities.

Earnings attributable to equity owners were \$224 million for the quarter ended September 30, 2014 compared to \$127 million in the same period of 2013. Earnings attributable to equity owners were \$560 million for the nine months ended September 30, 2014 compared to \$470 million in the same period of 2013. The Company completed the sale of its information technology business for gross proceeds of \$204 million in the third quarter resulting in a one-time gain of \$138 million. The sale is part of the Company's ongoing focus on the optimal allocation of capital across the ATCO Group. Proceeds are being redeployed to finance the Company's growth initiatives, including the significant capital expenditure program underway in the Utilities.

### **RECENT DEVELOPMENTS**

- Canadian Utilities declared a fourth quarter dividend for 2014 of 26.75 cents per Class A non-voting and Class B common share. Canadian Utilities' annual dividend per share has increased for 42 consecutive years.
- Canadian Utilities has made a long-term commitment to Mexico, establishing an office in Mexico City in the third quarter of 2014 to pursue and evaluate business opportunities in Mexico's energy market.
- ATCO Mexico was awarded a long-term contract by the Comisión Federal De Electricidad (CFE) to design, build and operate a 16 kilometre natural gas pipeline near the town of Tula in the state of Hidalgo, Mexico. The project cost is estimated at USD \$50 million and is expected to be in service mid-2015.

- On October 27, 2014, the Company and its partner Grupo Hermes S.A. de C.V. were selected by an affiliate of Mexico's state-owned petroleum company Pemex, PMX Cogeneracion S.A.P.I. de C.V. to commence the project development and approval process for a natural gas cogeneration plant at the Miguel Hidalgo refinery near the town of Tula in the state of Hidalgo, Mexico. Initial estimates value the capital investment of the proposed project at USD \$820 million of which, the Company will be responsible for approximately half. Partnership approval is expected in 2015, with a commercial operation date in the second half of 2017.
- ATCO Energy Solutions, in partnership with Petrogas Energy Corp., announced the development of four salt caverns for hydrocarbon storage located at ATCO's Heartland Energy Centre near Fort Saskatchewan, Alberta. The total partnership investment is expected to be approximately \$200 million. The majority of capacity has been secured under long-term arrangements.
- On September 5, 2014, the Company's subsidiary, CU Inc., issued \$1 billion of 4.085 per cent 30-year debentures, which represents the single largest issuance of debentures in the Company's history. In addition, on October 17, 2014, CU Inc. issued a further \$200 million of 4.094 per cent 40-year debentures. Proceeds from these two issuances will be used to finance capital expenditures, to repay existing indebtedness and for other general purposes of the Utilities.

## FINANCIAL SUMMARY AND RECONCILIATION OF ADJUSTED EARNINGS

A financial summary and reconciliation of adjusted earnings to earnings attributable to equity owners is provided below:

(\$ Millions except share data)	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2014	2013	2014	2013
Adjusted earnings <sup>(1)</sup>	<b>122</b>	112	<b>393</b>	423
Adjustments for rate-regulated activities <sup>(2)</sup>	<b>(48)</b>	(12)	<b>3</b>	-
Gain on sale of information technology services <sup>(3)</sup>	<b>138</b>	-	<b>138</b>	-
Gain on sale of Tecno Fast ATCO S.A. <sup>(4)</sup>	-	15	-	15
Impairment <sup>(5)</sup>	-	-	<b>(11)</b>	-
Dividends on equity preferred shares	<b>12</b>	12	<b>37</b>	32
Earnings attributable to equity owners	<b>224</b>	127	<b>560</b>	470
Revenues	<b>802</b>	755	<b>2,675</b>	2,476
Funds generated by operations <sup>(6)</sup>	<b>331</b>	394	<b>1,214</b>	1,236
Weighted average shares outstanding (millions of shares)	<b>262.4</b>	258.8	<b>261.7</b>	258.0

<sup>(1)</sup> Adjusted earnings are earnings attributable to equity owners after adjusting for the timing of revenues and expenses associated with rate-regulated activities and dividends on equity preferred shares of Canadian Utilities. Adjusted Earnings also exclude one-time gains and losses, significant impairments and items that are not in the normal course of business or day-to-day operations. Adjusted earnings present earnings on the same basis as was used prior to adopting International Financial Reporting Standards (IFRS) – that basis being the U.S. accounting principles for rate-regulated entities – and they are a key measure used to assess segment performance, to reflect the economics of rate regulation and to facilitate comparability of Canadian Utilities' earnings with other Canadian rate-regulated companies.

<sup>(2)</sup> Refer to Note 3 to the consolidated financial statements for descriptions of the adjustments for rate-regulated activities and the timing of their recovery from or refund to customers.

<sup>(3)</sup> Refer to Note 4 to the consolidated financial statements for an explanation of the gain on sale of information technology services.

<sup>(4)</sup> Refer to Note 4 to the consolidated financial statements for an explanation of the gain on sale of Tecno Fast ATCO S.A.

<sup>(5)</sup> Refer to Note 5 to the consolidated financial statements for an explanation of ATCO Power Australia's Bulwer Island power station impairment.

<sup>(6)</sup> *This measure is cash flow from operations before changes in non-cash working capital. It does not have standardized meaning under IFRS and may not be comparable to similar measures used by other companies.*

The increase in revenues in the third quarter and the first nine months of 2014 was due primarily to increased rate base in the Utilities segment, particularly attributable to the significant ongoing capital investment in transmission infrastructure in Alberta.

The decrease in funds generated by operations for the third quarter and nine months ending September 30, 2014 was due primarily to lower earnings and lower contributions from utility customers, which are used by the Company to provide utility services to customers.

Canadian Utilities' consolidated financial statements and management's discussion and analysis for the three and nine months ended September 30, 2014, will be available on the Canadian Utilities website ([www.canadianutilities.com](http://www.canadianutilities.com)), via SEDAR ([www.sedar.com](http://www.sedar.com)) or can be requested from the Company.

With more than 6,500 employees and assets of approximately \$17 billion, Canadian Utilities Limited is an ATCO company, a diversified global corporation delivering service excellence and innovative business solutions through leading companies engaged Utilities (pipelines, natural gas and electricity transmission and distribution) and Energy (power generation and sales, industrial water infrastructure, natural gas gathering, processing, storage and liquids extraction). More information can be found at [www.canadianutilities.com](http://www.canadianutilities.com).

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*Forward-Looking Information:*

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

*Any forward-looking information contained in this news release represents the Company's expectations as of the date hereof, and is subject to change after such date. The Company disclaims any intention or obligation to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required by applicable securities legislation.*

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