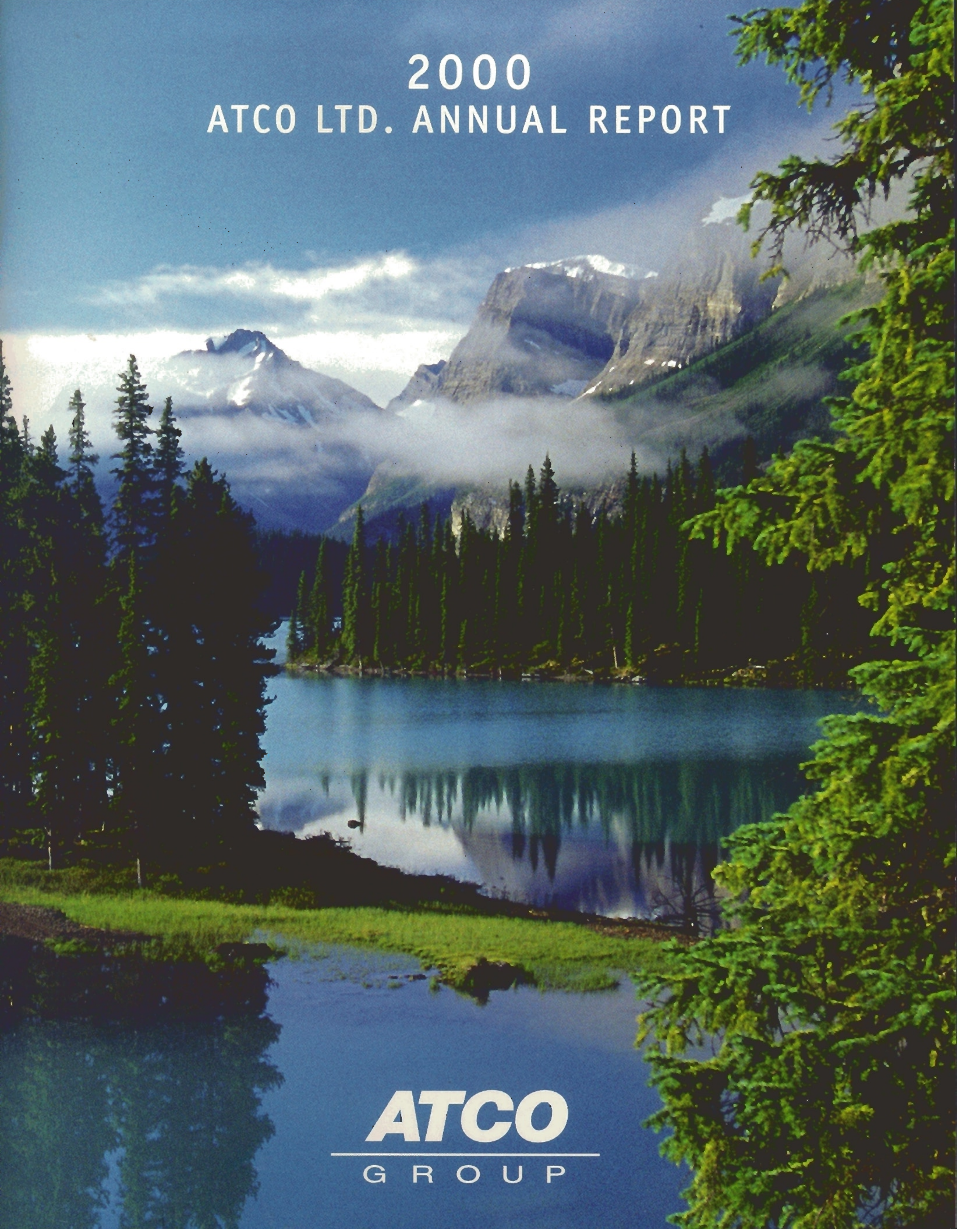
2000
ATCO LTD. ANNUAL REPORT



ATCO
GROUP

1990
EXPANSE OF ALBERTA FOOTHILLS

1991
ALBERTA ALPINE STREAM

1992
ALBERTA COUNTRY SCENE

1993
ALBERTA'S MAJESTIC WINTER SCENE

1994
MILK RIVER AREA, ALBERTA

1995
WRITING ON STONE PROVINCIAL PARK, AB

1996
VALLEY OF TEN PEAKS, ALBERTA

1997
NEAR BRAGG CREEK, ALBERTA

1998
MINK LAKE, WEST OF EDMONTON, ALBERTA

1999
WINTER SUNRISE AND FROST

TABLE OF CONTENTS

In recognition of ATCO's Alberta Heritage, this Annual Report cover is the eleventh of a series to feature scenes of the province's beauty.

COVER PHOTO:
Spirit Island, Jasper National Park, Alberta

Corporate Profile

ATCO Group is one of Canada's premier corporations, Alberta-based with a worldwide organization of companies and 6000 employees actively engaged in Power Generation, Utilities, Logistics and Energy Services, Technologies and Industrials.

POWER GENERATION

ATCO Power is an independent power producer with operations in Canada, Great Britain and Australia. Including its coal-fired generating plants in Alberta, ATCO Power has 2400 MW of generation capacity operating and under construction around the world.

UTILITIES

ATCO Electric and its subsidiaries deliver electricity to customers in northern and east-central Alberta as well as parts of the Yukon and the Northwest Territories. ATCO Gas distributes natural gas throughout Alberta to industrial, residential and commercial customers.

LOGISTICS AND ENERGY SERVICES

ATCO Pipelines provides natural gas transportation services to producers, major industrial users and gas distribution companies in Alberta. ATCO Midstream provides natural gas gathering, processing and storage services to the natural gas industry in Alberta. ATCO Frontec provides project management and technical services for the resource, telecommunications, transportation, utility and defence sectors.

TECHNOLOGIES

ATCO Singlepoint provides the people, the business processes, and the systems to deliver "turn-key" customer care, call centre, and billing services to utilities, large municipalities, energy retailers, and other organizations. ATCO I-Tek builds, integrates, operates and supports software applications and technology infrastructure for its clients.

INDUSTRIALS

ATCO Structures manufactures, sells and leases modular buildings to over 100 countries around the world from manufacturing facilities in Canada, the United States, Europe, South America, Australia and the Middle East. ATCO Noise Management provides complete noise reduction services for industrial facilities. ASHCOR Technologies markets fly ash and other coal-combustion products. Genics Inc. is a manufacturer of environmentally friendly wood preservation products.

Financial Highlights

CONSOLIDATED ANNUAL RESULTS

(Millions of Canadian Dollars except per share data)

	Year Ended December 31	
	2000	1999
Financial		
Revenues	**3,076.0**	2,374.8
Earnings attributable to Class I and Class II shares	**112.7**	100.7
Total assets	**5,815.6**	4,934.9
Class I and Class II shareholders' equity	**822.3**	744.2
Capital expenditures - net	**493.5**	398.6
Cash flow from operations	**519.4**	493.8
Class I Non-Voting and Class II Voting Share Data		
Earnings per share	**3.79**	3.36
Diluted earnings per share	**3.75**	3.32
Dividends paid per share	**0.92**	0.80
Equity per share	**27.67**	24.98
Shares outstanding	**29,721,982**	29,791,632
Weighted average shares outstanding	**29,723,696**	29,931,818

CONSOLIDATED QUARTERLY RESULTS (1)

(Unaudited)

(Millions of Canadian Dollars except per share data)

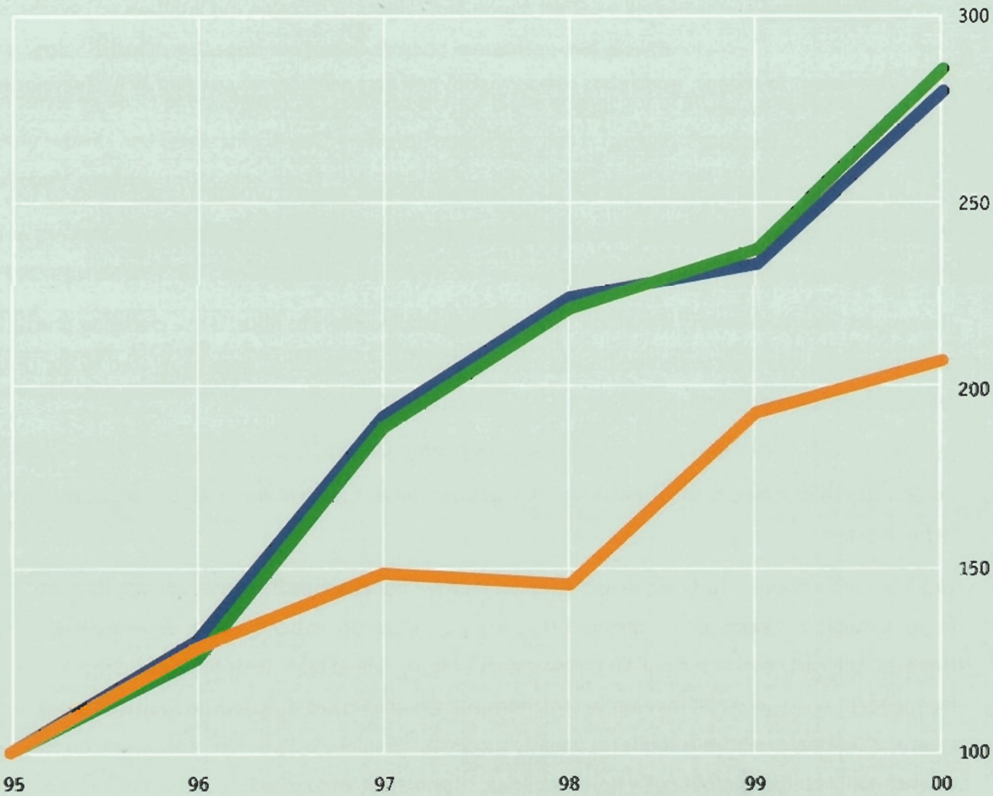
		Three Months Ended				
		March 31	June 30	September 30	December 31	Total
Revenues	**2000**	**773.8**	**588.1**	**616.9**	**1097.2**	**3,076.0**
	1999	668.7	524.8	482.7	698.6	2,374.8
Earnings attributable to	**2000**	**39.1**	**20.0**	**22.1**	**31.5**	**112.7**
Class I and Class II shares	1999	35.3	21.8	18.7	24.9	100.7
Earnings per Class I	**2000**	**1.31**	**0.68**	**0.74**	**1.06**	**3.79**
and Class II share	1999	1.18	0.72	0.63	0.83	3.36
Diluted earnings per Class I	**2000**	**1.30**	**0.67**	**0.73**	**1.05**	**3.75**
and Class II share	1999	1.17	0.71	0.62	0.82	3.32

(1) *Because of seasonal fluctuations, particularly in the utility operations, quarterly earnings are not indicative of full year results.*

2000 Performance Graph

FIVE YEAR RETURN ON $100 INVESTMENT

The following compares the five year cumulative shareholder return on $100 invested in Class I Non-Voting shares and Class II Voting shares of the Corporation on December 31, 1995 with the cumulative total return of the TSE 300 Stock Index, assuming reinvestment of dividends.



	Cumulative Return	*Compound Growth Rate*
ATCO CLASS I	$277	22.6%
ATCO CLASS II	$283	23.1%
TSE 300	$205	15.4%

Letter to the Share Owners

Ronald D. Southern,
Co-Chairman and Chief Executive Officer

Despite difficult conditions in many of our operations, 2000 was a record year for ATCO Group and marks increased growth for the 13th consecutive year.

Our core business strategy continues to be defined by operational excellence with four fundamental elements:

Transparency in our people and business processes, producing genuine teamwork;

Current achievement;

Long-term growth with a strong balance sheet, allowing technology development, expansion and asset acquisitions;

Commitment to change, world class company skills and best practices rejuvenated by well developed people systems.

You are all aware of the transition taking place between us and, while it probably is not for us to say, it is an effective process resulting in a seamless transfer of chief executive leadership for the years ahead.

The second, equally seamless transition we encourage share owners to note, is the changing profile of our operations. Just five years ago (1996) 93% of ATCO Group's earnings were generated by our three regulated utility companies - ATCO Gas, ATCO Electric and ATCO Pipelines.

In 2000 our regulated utilities' earnings amounted to 70% of the Group's total profit. We do expect our utilities to continue to grow, however, they will decline as a percentage of ATCO Group's earnings in the future.

While the determined efforts within our enterprises have not changed, the rules and regulations for natural gas and electricity in the marketplace have shifted dramatically under deregulation. However, the early positioning of ATCO Power with a highly skilled team to develop competitive independent power projects in other jurisdictions such as the United Kingdom and Australia, has created a well experienced and internationally successful company that is now capitalizing on the current opportunities unfolding in North America. Having just announced its 11th Canadian plant, ATCO Power continues to replace former utility earnings with premier performance from highly competitive new power plant projects.

Our progress, in respect to both leadership and the deregulation transition, is a great testimony to our Directors' guidance and counsel coupled with the Group-wide fundamental support of our executives who bring great talent and determination to our achievements.

In this regard, we consider the bundling of our principal operating subsidiaries under five new Managing Directors to be an organizational change, tied equal first with our financial performance, as the most notable of our 2000 achievements. Their reports, together with those of our President and our Chief Financial Officer, exemplify our commitment to a simple organization — driven by leaders with a firm grip and effective working teams in which situational leadership abounds as a result of simple, easily communicated plans.

Nancy C. Southern,
Co-Chairman and Chief Executive Officer

As share owners of the past will know from our previous letters to you, we are skeptical of the relentless push — heard from every quarter — to use radical, widely unproven, even capricious techniques seeking and demanding transformation and immediate spectacular results.

We believe our evolving pre-emptive strategies and pragmatic logic agreed annually between Directors and Senior Officers, will continue to deliver good innovation and growth.

A notable example of this steady approach to change is the emergence of all our companies with top safety records and leadership in environmental matters, which is formally described in our Managing Directors' reports.

As to the future, there can and will be adversity to be managed. This year has been illustrative of that — but regardless of the circumstances, our share owners can take comfort in the ATCO Group's track record, our people, organization, and business processes, confident that regardless of the circumstances, ATCO will deliver positive differentiating results from our people's sharp emphasis on the excellence of their performance.

We wish to thank, on behalf of all share owners, the people of ATCO Group, our Officers and Directors, for their extraordinary spirit and contribution of their minds, bodies and hearts that makes the submission of this report such a pleasure.

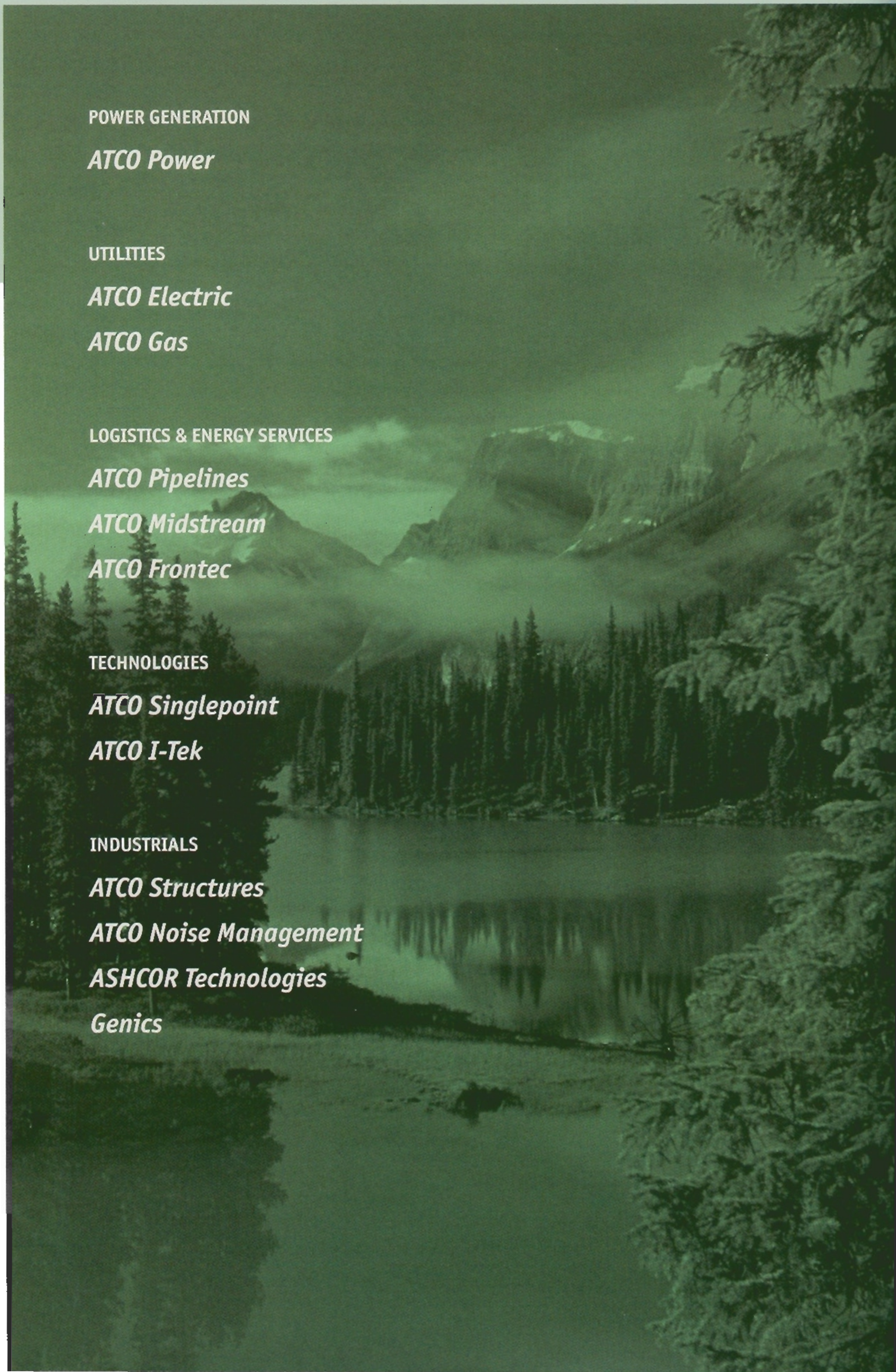
Respectively submitted,

Sincerely,

R. D. Southern
Co-Chairman &
Chief Executive Officer

N. C. Southern
Co-Chairman &
Chief Executive Officer

2000 Review of Operations



POWER GENERATION

ATCO Power

UTILITIES

ATCO Electric

ATCO Gas

LOGISTICS & ENERGY SERVICES

ATCO Pipelines

ATCO Midstream

ATCO Frontec

TECHNOLOGIES

ATCO Singlepoint

ATCO I-Tek

INDUSTRIALS

ATCO Structures

ATCO Noise Management

ASHCOR Technologies

Genics

2000 was another year of record performance for the ATCO Group. Our focus on improved performance and growth of ATCO Group's operations was strengthened by the introduction of a new organizational structure and the appointment of five Managing Directors. Each Managing Director has overall bottom-line responsibility for one of our streamlined business Groups. In ATCO Ltd., these Groups are Power Generation, Utilities, Logistics and Energy Services, Technologies and Industrials.

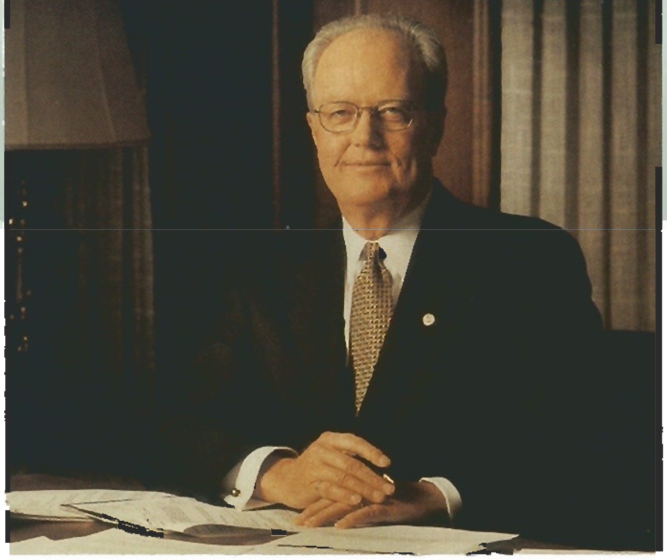
The ongoing deregulation and unbundling of the gas and electric industries worldwide continues to have a significant impact on the corporation, with the restructuring of our regulated businesses in our home province of Alberta and the development of opportunities in the deregulating global energy industry.

Our Power Generation Group had a robust year in the construction, commissioning and operation of new independent power plants in Alberta and around the globe. Including its coal-fired generation in Alberta, Power Generation owns 2400MW of generation capacity, operating and under construction, making it a growing player of significance in the international power generation market.

Since the announcement of deregulation in Alberta, our Power Generation Group has commissioned four new power plants with total generating capacity of 651MW, and has another 444MW under construction for completion by 2002. Power Generation was also active outside Alberta, with successful completion of its $75 million Bulwer Island plant in Queensland, Australia early in 2001 and construction underway on a 260MW cogeneration plant in Saskatchewan.

The Utilities Group is moving its focus to gas and electric distribution operations, selling its interconnected generating assets to Power Generation and putting its gas production properties up for sale. We expect that further unbundling of "Utilities" will, over time, move it essentially to a "pipes and wires" operation reducing the regulatory complexity of the gas and electric businesses.

Winning the support services contract for Canadian Forces deployed in Bosnia-Herzegovina, a first in Canada, opened up a new area of operations for our Logistics and Energy Services Group. Other long-term contracts currently in late stages of negotiation include extension of the North Warning System contract, held since 1988, and airside and groundside services to the NATO Flying Training Program at Moose Jaw, Saskatchewan.



C. O. (Craighton) Twa, President and Chief Operating Officer, ATCO Ltd.

The strong performance of our midstream business was a reflection of the high rate of utilization of the gas processing capacity (over 90%) and the effective performance of the gas storage operations. The pipeline operations attained record natural gas throughputs of 1.3 billion cubic feet per day as a result of a major growth program.

The Technologies Group has more than 350 IT professionals with expertise in applications and technology infrastructure. This Group, with state-of-the-art technology-based customer care, call centre, and billing services, is well positioned to serve emerging deregulated energy markets.

During 2000, the workforce housing and relocatable shelter operations of the Industrials Group were driven by the performance of the Canadian and Australian subsidiaries. Key projects were completion of the 1,760 person complex for the Athabasca Oil Sands Project in Canada, the 500 person expansion of housing for the Millmerran Power Project in Queensland and major projects for international oilfield customers in Eastern Europe.

Confirmed growth of generating capacity in North America and Europe creates substantial market opportunities for ATCO Noise Management. Orders received in early 2001 promise strong performance in this growth business.

Two start-ups in the Industrials Group, ASHCOR Technologies and Genics, are the latest examples of innovation and enterprise in ATCO Group laying the foundation for future profitability and growth. ASHCOR has developed a successful business selling fly ash from ATCO generating plants in Alberta to markets in western Canada. Genics, a manufacturer of environmentally friendly wood preservation products, received approval from the U.S. Environmental Protection Agency for its unique "Cobra Rod" product, opening up entry into the huge wood preservation market in the United States.

I believe you will find that each Group is focused on creating value for our share owners by continued strong performance and growth in all our businesses.

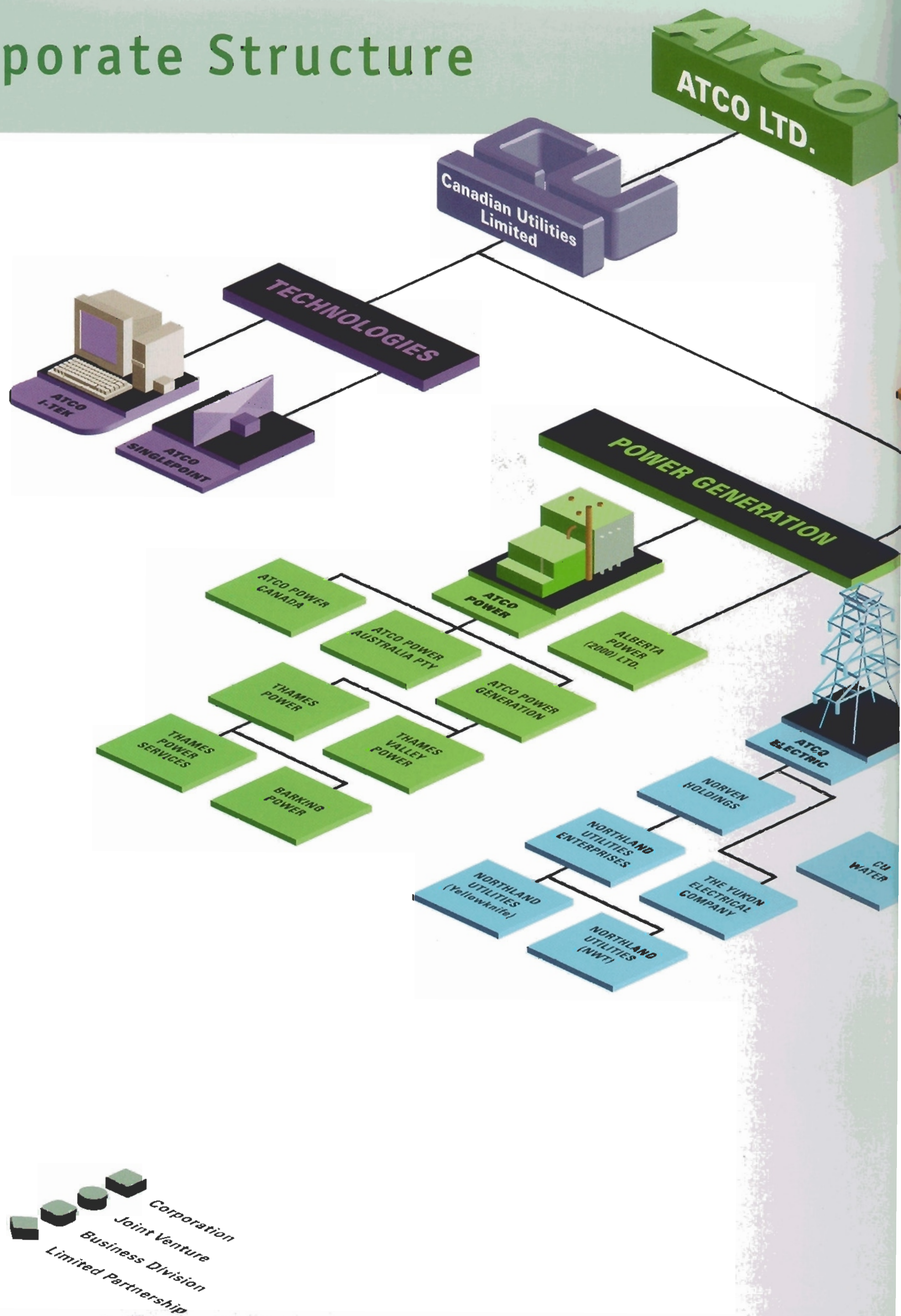
Craighton Twa

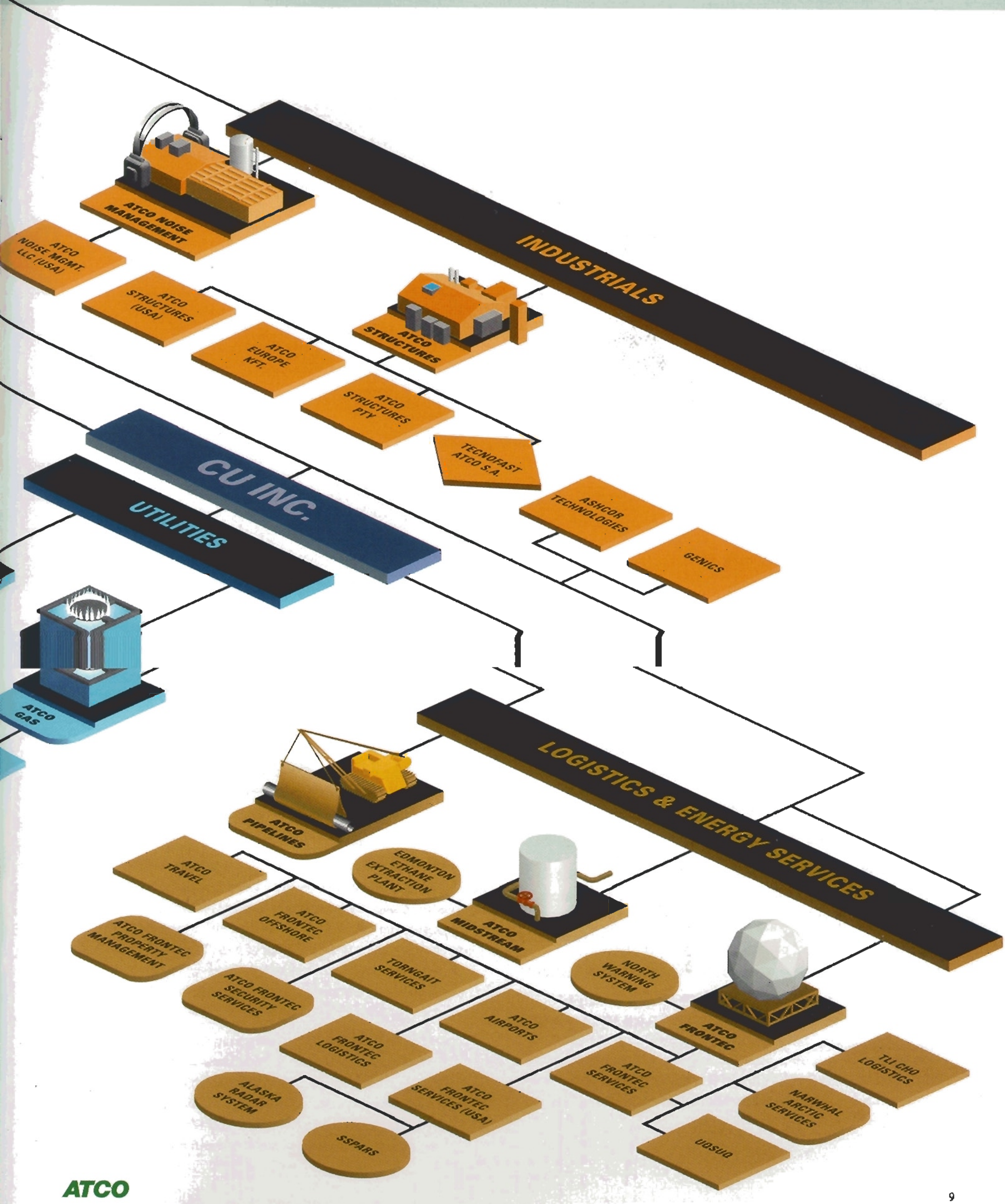
Craighton O. Twa

President and Chief Operating Officer

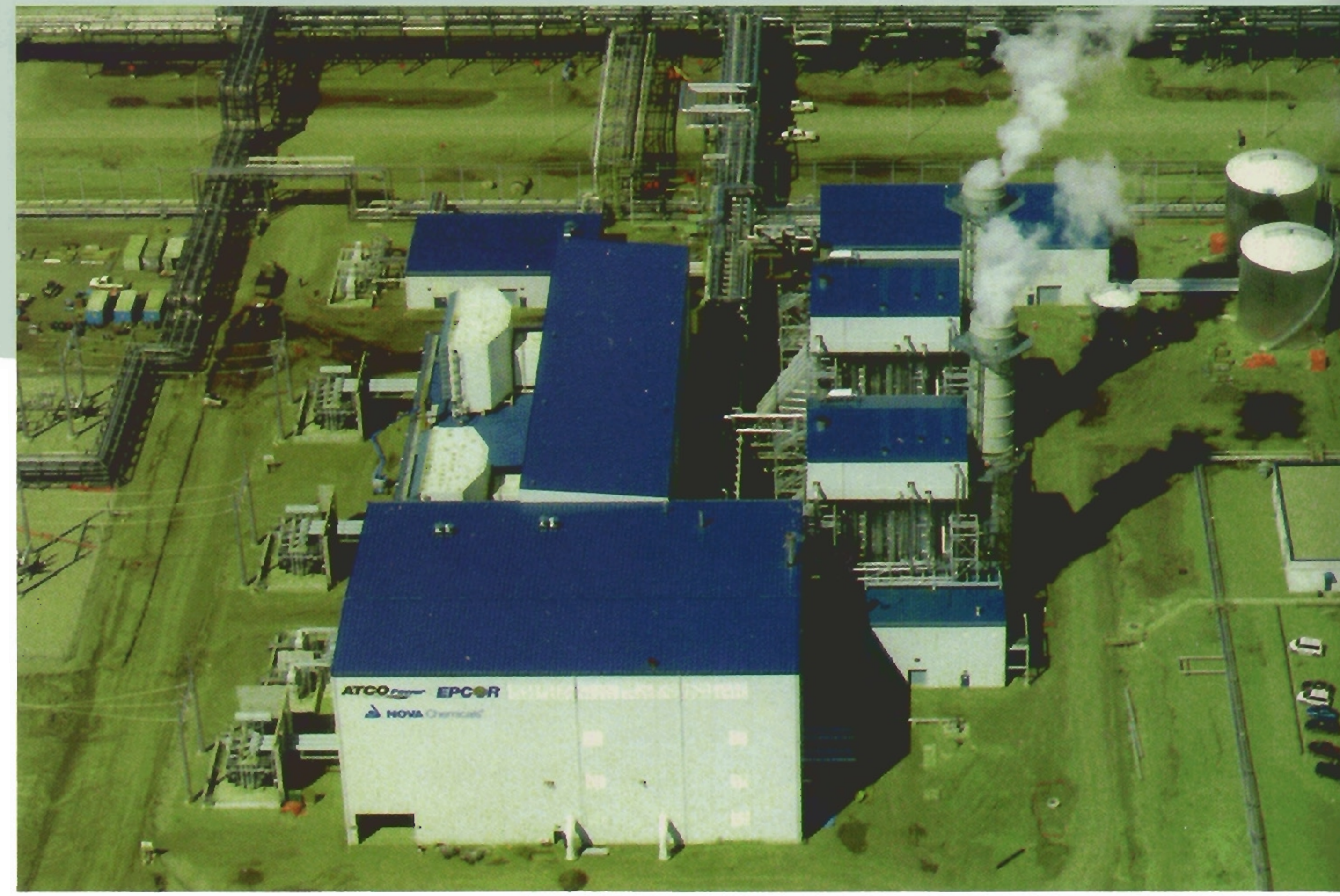
ATCO Ltd.

Corporate Structure




INDUSTRIALS
ATCO NOISE MANAGEMENT
ATCO NOISE MGMT. LLC (USA)
ATCO STRUCTURES
ATCO STRUCTURES (USA)
ATCO EUROPE KFT.
ATCO STRUCTURES PTY
TECNOFAST ATCO S.A.
ASHCOR TECHNOLOGIES
GENICS
CU INC.
UTILITIES
ATCO GAS
LOGISTICS & ENERGY SERVICES
ATCO PIPELINES
ATCO TRAVEL
EDMONTON ETHANE EXTRACTION PLANT
ATCO MIDSTREAM
ATCO FRONTEC OFFSHORE
ATCO FRONTEC PROPERTY MANAGEMENT
TORNGAIT SERVICES
NORTH WARNING SYSTEM
ATCO FRONTEC
ATCO FRONTEC SECURITY SERVICES
ATCO AIRPORTS
ATCO FRONTEC LOGISTICS
ATCO FRONTEC SERVICES
TLI CHO LOGISTICS
ALASKA RADAR SYSTEM
ATCO FRONTEC SERVICES (USA)
NARWHAL ARCTIC SERVICES
SSPARS
UQSUQ

Power Generation



ATCO Power and its partners commissioned the 480MW Joffre cogeneration plant in December, 2000 bringing much needed electrical power to the province of Alberta.

The creation of the Power Generation Group has brought together an organization of 600 skilled employees whose expertise and experience in the development, construction, financing and operation of coal and gas-fired power plants provides a platform for the delivery of steady growth to our share owners.

The Power Generation Group was created in 2000 by combining ATCO Power's independent power business with ATCO Electric's "Alberta Power" legacy generating plants.

The reorganization further enhances Power Generation's ability to streamline operations for improved efficiency as well as allowing us to allocate new resources for project development.

Our Power Generation development team is focused on its target markets of Canada, the United States, the United Kingdom and Australia.

Power Generation will continue to apply and build upon its proven track record in health, safety and environmental issues in all of its construction and operations endeavours. This allows us to fulfill our mandate to be a major contributor to the sustainable and profitable growth in the ATCO Group of companies.

We look forward to expanding our reputation as a successful, world-class developer and owner of an increasing number of high quality independent power and cogeneration projects in Canada and selected world markets.

G.K. (Gary) Bauer

Managing Director
Power Generation

ATCO Power's generating plants achieved excellent levels of availability in both British Columbia, where power from its 50% owned, 120MW McMahon Cogeneration Plant is sold under a long-term power purchase arrangement with BC Hydro; and in Alberta where its plants, the 85MW Primrose (40% owned); the 43MW Poplar Hill (80% owned); and the 43MW Rainbow Lake (80% owned) sold power to on-site customers as well as to the Alberta Power Pool.

Commissioning of the 480MW Joffre Cogeneration Project, where ATCO Power has a 32% ownership interest, was completed in December 2000. The plant has run well and has brought much needed capacity to the Alberta system.

Commercial negotiations were finalized and engineering and site preparation work was begun on two cogeneration plants being developed for the Athabasca Oil Sands Project; the Muskeg River Mine, a 170MW cogeneration plant where ATCO Power will have a 56% ownership interest, and the Scotford Upgrader, 150MW cogeneration plant, where ATCO Power will have an 80% interest. The in-service date for these plants is late 2002.

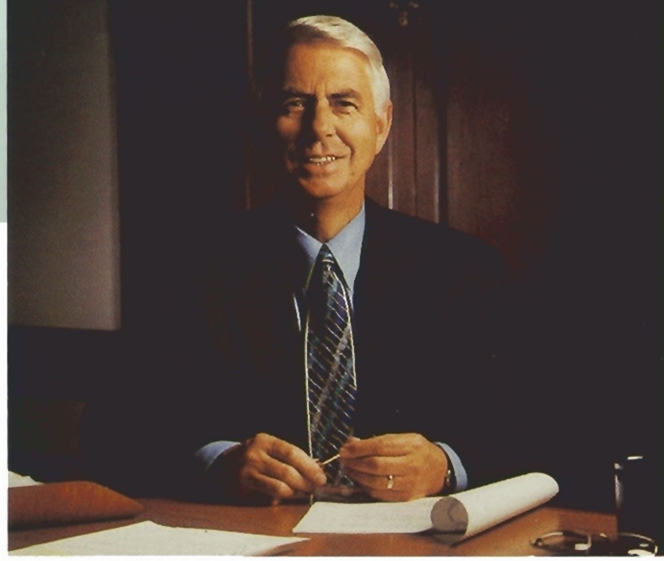
In May 2000, ATCO Power and SaskPower International Inc. announced that they would jointly develop and own a 260MW gas-fired cogeneration plant at the Potash Corporation of Saskatchewan's Mine at Cory, Saskatchewan. All the power produced will be purchased under a long-term contract by SaskPower Corporation. Design and engineering work has begun; orders for the major equipment have been placed and commercial operations are slated for the fourth quarter of 2002.

In the first quarter of 2001, ATCO Power announced it will proceed with, and own 100% of two more power projects in Alberta, a 92MW gas-fired project at Valleyview and a 32MW hydro project at the Oldman River Dam.

Decontrol issues in Ontario's deregulation process caused development work to cease during the year on the 550MW gas-fired combined cycle Lakeview New Generation Project in Mississauga, Ontario. The ATCO Group is jointly working with Ontario Power Generation Inc. to identify power purchasers and alternative sites in Ontario for this project.

The Alberta Government proceeded with the Power Purchase Arrangement auction, which sold the rights to the output of ATCO Electric's "Alberta Power" generating stations: Battle River, Sheerness, Rainbow and Sturgeon. The Battle River and Rainbow power purchase arrangements were purchased by power marketers, and the Sheerness power purchase arrangement remains with the Alberta Balancing Pool. The 18MW Sturgeon station did not attract any bids and became a merchant plant owned and operated by ATCO Power.

ATCO Electric's HR Milner generating station was not included in the auction because of the uncertainty of coal supply, caused by the station's coal supplier going into bankruptcy. On January 3, 2001, ATCO Power and the Balance Pool Administrator announced an agreement whereby the Balance Pool Administrator would purchase the station from the Power Generation Group at its net book value. ATCO Power will continue to operate the station for the Balancing Pool on a cost-of-service basis.



G. K. (Gary) Bauer, Managing Director, Power Generation

UNITED KINGDOM

The 1000MW gas-fired combined cycle power station at Barking which ATCO Power operates and has a 25.5% interest, experienced a nine-week shutdown of Block One to repair a crack in the steam turbine rotor and a five-week precautionary shutdown of Block Two to test for similar problems. No problems were detected in Block Two, however, the shutdown allowed ATCO Power to perform general maintenance one year in advance of their schedule, thereby improving availability for 2001. Following the shutdowns, the Station ran successfully for the remainder of the year.

ATCO Power continues to seek "greenfield" cogeneration and independent power opportunities in the United Kingdom.

AUSTRALIA

The 180MW Osborne Cogeneration plant, in which ATCO Power has a 50% ownership interest, achieved excellent availability levels during the year.

Construction of the 33MW electrical and 55MW thermal cogeneration project at British Petroleum's Bulwer Island Queensland refinery continued in 2000, with final completion expected in the first quarter of 2001. ATCO Power will have a 50% ownership in the Project with Origin Energy Limited following completion.

IRELAND

In January 2000, Aughinish Alumina Limited announced that it would proceed with ATCO Power and Bord Gais Eireann on the development of a 310MW gas-fired cogeneration facility at its existing aluminium refinery in County Limerick, Ireland.

ENVIRONMENT AND COMMUNITY

Protection of the environment is a core value and priority that guides our decision making and our on-going operations. The Power Generation Group believes the success of our business is also based on strong relationships with the communities we serve. We are active supporters of community projects, both through corporate contributions and support of our employees' community involvement.

Utilities

ATCO Electric service personnel live and work in the more than 200 Alberta communities we serve. Our people are on-call 24 hours a day, 365 days a year, ensuring our delivery system is safe and reliable.

J. R. (Dick) Frey, Managing Director, Utilities

The companies in the Utilities Group, ATCO Gas and ATCO Electric, share a common focus: distribution of energy. The Group's goal is to achieve greater success for both the gas and electric sides of our business through efficiencies and economies of scale. We will also continue to develop joint expertise in delivering energy to customers. In this way, we can continue to meet the growth needs of our service area while keeping delivery costs as low as possible for customers and sustaining solid returns for share owners.

Together, ATCO Gas and ATCO Electric have assets of $2 billion, which provide stable earnings and continued opportunities for investment in the growing province of Alberta. Our 2150 employees in the Utilities Group are dedicated to customer service, working continually to maintain safe, reliable delivery systems for gas and electricity.

The Utilities Group believes the success of our core delivery business is based on strong relationships with the communities we serve. ATCO Gas and ATCO Electric are active supporters of community projects, both through corporate contributions and support for our employees' community involvement.

The high cost of energy has been a major challenge for the Utilities Group. This past year, customers faced unprecedented increases in the cost of both gas and electricity. With the opening of the Alliance Pipeline that delivers Alberta gas to American markets, Albertans were exposed to the supply and demand forces of the continental natural gas market. High gas costs also became a factor in provincial electricity prices. Tight supplies and growing demand for electric generation led to increased use of natural gas to fuel generating plants. As a result, gas-fired generating plants increasingly set the market price of electricity in the Power Pool of Alberta.

In response, we formed a multi-company task force to find ways to deal with the problems experienced by our customers due to high energy costs. We improved call centre service by adding staff, upgrading technology and extending our hours. We also expanded our natural gas meter reading program to provide more actual reads, developed a program to promote energy conservation, increased the options for payment, and developed an alternative way of collecting gas costs that was ultimately accepted by the Alberta Energy and Utilities Board.

While our core business remains the transportation and delivery of energy, we will continue our efforts to help customers deal with the challenge of high energy costs in the next year. We will do our utmost to help customers by keeping delivery costs as low as possible. By taking advantage of the synergies of the ATCO Utilities Group, we will continue to make ATCO's tradition of excellence serve the best interests of both customers and share owners.

J. R. (Dick) Frey
Managing Director
Utilities

ATCO ELECTRIC

The main challenge for ATCO Electric in 2000 was continued preparation for deregulation of Alberta's electricity industry. Retail choice became a reality for customers on January 1, 2001. Highlights of last year's work included:

Developing computer systems to handle transactions with retailers. ATCO Electric reached all milestones on schedule for this project and led the industry in achieving implementation targets.

Developing work processes and training staff to deal with the new interactions required by retailers and customers.

Meeting an intensive schedule of regulatory applications and hearings. This included negotiating a settlement with customer groups on the revenue requirement for transmission costs in 2001-2002. Another priority was developing the tariff for delivery services in the deregulated regime.

Developing a regulated rate option to supply energy for customers who continue to buy the full electricity package through ATCO Electric.

Meeting with larger customers who are not eligible for the regulated rate option to assist them with the transition. ATCO Electric continues to act as default supplier for some 1150 of these customers, although this role will be assumed by a new, non-regulated subsidiary, ATCO Energy.

Utilities

ATCO Gas customer service agents continue their efforts to help customers deal with the challenge of high energy costs by offering advice on energy savings tips.

GROWTH IN 2000

In 2000, combined electric sales for ATCO Electric and its subsidiaries (The Yukon Electrical Company Limited, Northland Utilities (NWT) Limited and Northland Utilities (Yellowknife) Limited) were 10,392 million kilowatt hours. On a sales-per-employee basis, our productivity has continued to improve by 44% since 1995.

ATCO Electric provides delivery service to more than 168,000 customers through our system of more than 56,000 kms of power lines. During 2000, we spent $74.8 million on new distribution facilities primarily reflecting increased drilling and oilfield development and a further $31.9 million on transmission.

Major transmission projects included:

> *Cranberry-Kidney: a transmission line and substation that will connect five northern areas to the provincial grid. This project will replace isolated generating plants and support growing customer load.*
>
> *Brintnell: a substation and associated facilities to support growth in the Brintnell oilfield, north of Wabasca.*

For our northern operations, a highlight of the year was successfully renewing the franchise agreement with the City of Yellowknife for a 10-year term.

ATCO GAS

GROWTH IN 2000

ATCO Gas experienced another year of solid growth. Sales volumes increased to 227.0 PJs versus 205.2 PJs in 1999 (excludes ATCO Pipelines sales volumes) as a result of strong customer growth and 4.5% colder than normal temperatures.

In 2000, ATCO Gas spent nearly $90 million on capital projects. The majority of the expenditures were related to facilities to serve 17,459 new customers and $15.9 million for the ATCO Customer Information System (ATCO CIS). Mains replacement work continued in Calgary, Claresholm, and Coutts ($5.3 million); and relocation work in Calgary to accommodate the Deerfoot Trail expansion ($700,000).

ATCO Gas customers benefited from an average service rate reduction of 11% throughout the province as well as a service refund of $48.5 million. With these reductions and refunds, customers are paying less to ATCO Gas for delivery charges in 2001 than they did in 1994 in the South and 1993 in the North. ATCO Gas has been able to achieve these cost savings while maintaining superior service to its more than 810,000 customers throughout Alberta.

In late 2000 more than 333,000 customers in High River and Calgary were converted to the new ATCO Customer Information System. ATCO CIS replaces 30-year-old technology and provides enhanced capability to respond to industry restructuring, evolving deregulation and new rate structures and contracts. Migration of the remaining customer accounts will occur in 2001.

With the increased determination to focus on our core business, ATCO Gas announced its intention to sell its remaining producing properties in order to focus on its core business of distributing natural gas. Conditional sale agreements have been signed for all our producing properties. The total value of the sales is $546 million. A decision by the Alberta Energy and Utilities Board is expected in 2001.

ATCO Gas also divested itself of the Gas Appliance Stores in 2000. We identified this area of business as one that was not in line with our core business of distributing natural gas.

THE ENVIRONMENT AND THE COMMUNITIES WE SERVE

ATCO Utilities Group plays an active role in the 550 communities it serves. Our continuing commitment is demonstrated through key partnerships and sponsorships, including those with the Alberta Sports Hall of Fame, the Alberta Winter and Summer Games and the Alberta Lung Association, as well as by the companies' programs to match employee contributions.

In 2000, ATCO Electric re-launched its popular Teaching Power school resource program, a package designed to teach children in grades 4-6 about electrical safety, conservation and the production of electricity.

For the second year in a row, ATCO Gas received the Gold Champion Reporter award from Canada's Climate Change Voluntary Challenge and Registry Inc. Our emissions were 12% below 1990 levels. Through these efforts and its support of the Alberta Ecotrust, ATCO Gas remains committed to environmental protection and conservation.

Our 2150 employees in the Utilities Group are committed to protection of the environment, which is one of the Group's core values. All employees have a role in ensuring our operations comply with environmental legislation, standards and company policy.

Logistics & Energy Services

ATCO Pipelines is constructing a 118 km natural gas pipeline to the Albian Oil Sands Project near Fort McMurray.

The formation of our Logistics and Energy Services Group in 2000 was accompanied by tremendous earnings growth for the Group. Logistics and Energy Services is comprised of ATCO Pipelines, ATCO Midstream and ATCO Frontec. These three companies have expertise in the management of assets, both company owned and those owned by others.

Collectively our Group has vast experience in gas gathering, gas processing, gas storage and gas transmission, as well as asset management, logistics and northern operations. The mandate of the Logistics and Energy Services Group is to utilize the combined strengths within each company and lever those strengths to expand our earnings base.

Our Group has established, as a priority, a determined and diligent approach to the opportunities unfolding in the North, with particular emphasis on the proposed pipelines from Alaska and the Mackenzie Delta.

The Logistics and Energy Services Group is recognized as a well respected team player through our numerous joint ventures with Aboriginal, local people and companies in Alaska, the Yukon, the Northwest Territories and Nunavut. Our Group plans to utilize this northern experience and our Aboriginal relationships to create new "greenfields" projects and capture new opportunities as they unfold.

The Logistics and Energy Services Group values employees and demonstrates this through responsive reporting structures. This approach minimizes levels of decision making, optimizes employee skills through multi-skill training, encourages and recognizes outstanding service and empowers staff to make business decisions to effectively serve customers. These strategies have created a culture that promotes initiative and innovation in providing value-added customer service, fostering high staff morale and resulting in long-term staff retention.

I am pleased to present the following information on the three companies that comprise the ATCO Logistics and Energy Services Group.

Michael M. Shaw

Michael M. Shaw
Managing Director
Logistics & Energy Services

M. M. (Michael) Shaw, Managing Director, Logistics & Energy Services

ATCO PIPELINES

2000 marked ATCO Pipelines second year of operation as an integrated, competitive, Alberta natural gas transportation company. ATCO Pipelines' producer customers actively brought new supply onto our system in response to unprecedented high natural gas prices, while industrial customers that consume natural gas as fuel or feedstock were forced to examine the economics of continuing production.

Natural gas receipts from gas plants tied into ATCO Pipelines' system reached record levels during the year, with approximately 1.3 billion cubic feet per day (bcfd) of receipt transportation service flowing at the end of 2000. To accommodate additional volumes in 2000 and in subsequent years, ATCO Pipelines' capital expenditures increased from $25 million in 1999 to more than $63 million in 2000.

Producers continue to aggressively explore for natural gas reserves in the areas west and north of Edmonton where ATCO Pipelines has infrastructure to accommodate future growth. In particular, record drilling in the vicinity of ATCO Pipelines Grande Cache system has resulted in numerous requests for transportation service out of this area for 2001.

On the industrial market side, ATCO Pipelines is pursuing new growth opportunities in the Fort Saskatchewan and Fort McMurray regions. As well, there are several proposed cogeneration and power plant projects planned for the Calgary area adjacent to ATCO Pipelines system.

ATCO Pipelines prides itself on providing customers with access to the markets of their choice as well as continuing to improve and increase our delivery service capabilities.

Logistics & Energy Services

ATCO Midstream is the majority owner of the Edmonton Ethane Extraction Plant, which is located in south Edmonton. It is a 360 mmcfd liquids extraction plant that extracts ethane and natural gas liquids and returns the residue gas to area markets.

MAJOR PROJECTS

Construction of a 118 km pipeline to provide natural gas service to the Albian Oil Sands Project near Fort McMurray commenced in June of 2000. A 1500m directional drill crossing of the Athabasca River was successfully completed during 2000, and overall pipeline construction will be completed early in 2001. This project provides ATCO Pipelines with a foothold in the developing oil sands region of northwestern Alberta, and positions the company to serve other industrial projects in the area.

The 1.3 bcfd per day Alliance Pipeline, which transports natural gas from gas plants in British Columbia and Alberta to markets in Chicago, came on-stream in December. ATCO Pipelines has worked closely with Alliance providing a significant portion of its line pack and pipeline purge gas.

Working successfully with producers, ATCO Pipelines has constructed an interconnection at Edson, Alberta, which will provide up to 70 million cubic feet per day of capacity for our producer customers choosing to access the Alliance system commencing April 2001. The facilities to transport these new volumes require more than $18 million of new investment.

REGULATORY EVENTS

A General Rate Application (GRA) for ATCO Pipelines (South) was filed with the Alberta Energy and Utilities Board (AEUB) in December and a public hearing has been scheduled for late June 2001. ATCO Pipelines has been unable to negotiate rates for South Core customers and this GRA will determine those transportation rates for 2001 and 2002. The other key issues addressed in the GRA are unaccounted for gas charged to delivery customers and ATCO Pipelines' capital structure and return on equity.

A change in natural gas transmission tolling on TransCanada's Alberta system from the traditional "postage stamp" method to receipt point differentiated tolling triggered a re-opening of ATCO Pipelines' industrial and producer five-year settlement. Negotiations with these customers resulted in an agreement that was given interim approval by the AEUB.

ATCO MIDSTREAM

ATCO Midstream has completed a highly successful year in the midstream business, which includes gathering and processing of sweet and sour gas, natural gas liquids extraction, as well as gas storage services.

The business environment for midstream companies continues to be very competitive. ATCO Midstream continues to be extremely disciplined in its evaluation of potential acquisitions and only grows by acquisition when it makes good business sense to do so. In the meantime, the company continues to generate growth from investment associated with its existing asset base.

Looking forward to 2001, one of ATCO Midstream's major challenges is from increasing costs for electrical energy used in its operations. In November 2000, ATCO Midstream participated in the Alberta Power Pool Auction and was successful in securing a portion of its electrical power requirements for the upcoming year.

The Natural Gas Liquids (NGL) extraction business will also be challenging in 2001 due to high natural gas prices and close attention will be required to operate successfully in this environment. ATCO Midstream has developed strategies for each of its facilities to deal with these issues.

ATCO Midstream's key to success is adding value to its clients by providing cost-effective, integrated solutions to their gathering, processing, storage and gas management needs. This success is due in no small part to the combined efforts of the company's committed employees who work together in a small team-oriented environment.

GATHERING & PROCESSING

A highlight of the past year was the purchase from Talisman Energy of the Cranberry Gas Plant and a 70km gas-gathering pipeline network located near the town of Manning in northwestern Alberta. The Cranberry plant increases ATCO Midstream's processing capacity by more than 35 million cubic feet a day, to 670 million cubic feet a day. The addition of this asset to the company's portfolio of processing plants is very significant, as it provides a strategic base for expanded activities in this active gas development region of Alberta.

The NGL side of ATCO Midstream's business benefitted from strong NGL prices throughout the year and attractive shrinkage-gas prices for the first half of the year. The company's NGL extraction plants operated reliably and at high utilization rates throughout the year.

Rising gas prices, along with strong marketing efforts, kept ATCO Midstream's gathering and processing facilities near capacity throughout the year. To increase access for producers in the Telfordville area west of the City of Edmonton, the 26km "Golden Spike West" pipeline was constructed and additional sour processing capacity was added at the Golden Spike Plant.

In 2000, average plant throughput was in excess of 90% of available capacity. This continues to be a very high rate of utilization in an industry where traditional utilization rates average approximately 60%.

Logistics & Energy Services

ATCO Frontec won a major contract to provide support services to the Canadian Forces in Bosnia-Herzegovina.

STORAGE AND HUB SERVICES

Natural gas markets were again quite volatile during the year. ATCO Midstream's Marketing group worked closely with producers, energy marketers, aggregators and gas distributors to actively manage their storage positions.

In addition to marketing storage capacity held at several storage facilities, ATCO Midstream continued a successful partnership to bring to market the capacity of another excellent Alberta storage reservoir. This added value to ATCO Midstream through the growth of its storage business and also to ATCO Pipelines by allowing it to offer additional transportation capacity.

ATCO Midstream is looking to strengthen its long-term position in the storage and hub services business through developing additional storage capacity in Alberta.

ATCO FRONTEC

ATCO Frontec sales revenue in 2000 increased by 25% and employees of ATCO Frontec projects, business units and joint ventures grew to exceed 600 people.

LOGISTICS

In the first major outsourcing of support to internationally deployed Canadian Forces, ATCO Frontec won the contract to provide support services in Bosnia-Herzegovina. Services provided to five camps include satellite and ground communication, billeting, catering, supply and transportation, utilities, facilities and grounds maintenance, vehicle maintenance, fuel handling, and fire and environment protection. This two-year contract, with a one-year option, is a unique project that includes management of Canadian civilians, local residents and embedded military personnel.

In the Northwest Territories, ATCO Frontec, working with the Dogrib Rae Band through a jointly owned company, Tli Cho Logistics Inc., renewed a contract with BHP Diamond Mines to provide on-site fuel re-supply management. In 2000, fuel handling grew from 31 to 43 million litres delivered by 1016 trucks over 58 delivery days on a 460km winter ice road. Tli Cho will handle 70 million litres of fuel for BHP in 2001.

Also working through Tli Cho Logistics Inc., ATCO Frontec extended a contract to provide site support services including facilities operation and maintenance to Diavik Diamond Mines during the construction phase of this mine, located 300 km northeast of Yellowknife on Lac de Gras. During the 2000 winter road season, ATCO Frontec supported upgrading camp facilities to accommodate 500 onsite personnel.

RADAR AND COMMUNICATION SYSTEMS

The Government of Canada issued an Advance Contract Award Notice indicating its intent to negotiate a new North Warning System contract with the joint venture between ATCO Frontec and Pan Arctic Inuit Logistics Corporation to commence October 1, 2001. ATCO Frontec and its partner have now managed this NORAD program since 1988.

AIRPORTS MANAGEMENT

In June, ATCO Frontec began providing airside and groundside support services to the NATO Flying Training in Canada program as a follow-up to services provided to former 15 Wing Moose Jaw. Efforts are underway to negotiate long-term provision of these services to Bombardier Inc.

LOOKING AHEAD

ATCO Frontec continues to look for growth through strong alliances and providing excellent services in our core businesses, logistics, facilities and systems management and technical services. As a world-scale player, ATCO Frontec continues to be flexible to meet changing economic conditions while competing with large international companies. Major additional thrusts this year include providing support services to the oil and gas sector and the supply chain industry. Working with our affiliate companies in Logistics and Energy Services, we are pursuing northern pipeline development opportunities.

ENVIRONMENT AND COMMUNITY

The Logistics and Energy Services Group demonstrates its strong commitment to the environment by making the environment a number one priority in all operational plans and decisions, including continually monitoring for potential risk to the environment and complying with regulatory and community agencies.

Our use of an environmental management system framework ensures that employees are aware of sound environmental work practices. The Group continues to support and be involved in environmental committees and initiatives through industry associations.

Each company within the Logistics and Energy Services Group continues to recognize the importance of maintaining and developing relationships within the communities they serve.

Early this year, ATCO Midstream was nominated for a "Quantum Leap" award by the United Way for increased employee contributions to the Edmonton and area and the Calgary and area campaigns by more than 25%.

Through an Employee Community Service Fund, ATCO Pipelines matches employee donations to charitable and cultural organizations.

At all its operations across Canada, ATCO Frontec supports, sponsors and participates in community initiatives and events.

Technologies

ATCO Singlepoint's call centre customer agents were rated best/top performers with regards to knowledge, courtesy and ability to resolve issues.

Focusing on the synergies of ATCO I-Tek and ATCO Singlepoint led to the formation of our new Technologies Group. With significantly increased demand for their services, both companies were successful in 2000 and were able to enhance their reputations as organizations that can, and do, deliver on their commitments.

Market demand for services that effectively integrate people, process and technology continues to grow. Our people are the basis of our success and we remain committed to their growth and development to ensure we continue delivering excellent service to our clients.

Priority projects in 2000 were driven by market factors such as Alberta's deregulating electric industry; the emergence of customer choice in the energy sector, and information sharing needs in the new energy market. ATCO-CIS, our new converged customer information system, has been instrumental in providing the capability to meet these dynamic requirements.

Our Group has been able to respond and adapt to numerous changes impacting the design and reliability of our billing system. As a result, we were one of the first to meet the Alberta government's deadline to create and implement a web-based customer choice interface for energy retailers.

The Technologies Group is well positioned to provide expertise and service capability to the Customer Care and Technology services market and, as such, we anticipate continued strong performance and excellent growth opportunities.

S.W. Kiefer.

Siegfried W. Kiefer
Managing Director
Technologies

S. W. (Siegfried) Kiefer, Managing Director, Technologies

ATCO SINGLEPOINT

ATCO Singlepoint provides the people, the processes and the systems to deliver customer care, call centre and billing services to their clients. In the year 2000, ATCO Singlepoint prepared and delivered more than 12 million utility bills, collected revenues of more than $1.8 billion, and responded to more than two million customer calls on behalf of their clients.

As a consequence of high energy costs, ATCO Singlepoint experienced a more than doubling of the daily call volumes to our call centre. This dramatic increase in call volume resulted in access delays and at times longer than normal telephone wait times for our customers. Responding quickly to the higher demand, ATCO Singlepoint combined an accelerated recruitment and training approach with new telephone technology to meet the increased demand for services. Within weeks, customer wait times were reduced significantly.

Through rigorous employee training, and the continuous monitoring of performance and quality measures, ATCO Singlepoint was able to accommodate this rapid expansion without compromising the quality of service to the customers. In fact, an independent benchmark comparing ATCO Singlepoint's call centre with other energy related call centres in Canada rated our customer agents as the best/top performers with regards to knowledge, courtesy, and ability to resolve issues.

ATCO Singlepoint implemented many new service capabilities and enhancements in 2000, providing Alberta's first web-based Customer Choice interface for energy retailers, implementing Wire Service Provider (WSP) billing services to ATCO Electric, providing default supplier billing services, providing natural gas broker billing information, and converting over 400,000 gas customers to ATCO-CIS.

ATCO I-TEK

ATCO I-Tek provides the technical and application services that support over 200 software applications, more than 3500 desktop and laptop computers, and a network that connects more than 126 locations where the ATCO Group operates.

In the year 2000, ATCO I-Tek experienced a more than 25% increase in the demand for its services. In addition to handling more than 50,000 requests for service from our clients, and completing significant upgrades to our technology infrastructure, ATCO I-Tek operated all systems, at, or above the contracted service level measures for reliability and availability.

ATCO I-Tek's team of more than 350 IT Professionals were engaged in many critical application and technical infrastructure projects. Some of our significant accomplishments in 2000 include:

A web-based Customer Choice interface for energy retailers.

Development and implementation of ATCO Pipelines' web-based Transportation Information System. ATCO Pipelines customers are now able to nominate and track accounts for natural gas pipeline transportation services online, saving significant time and expense for both ATCO Pipelines and their customers.

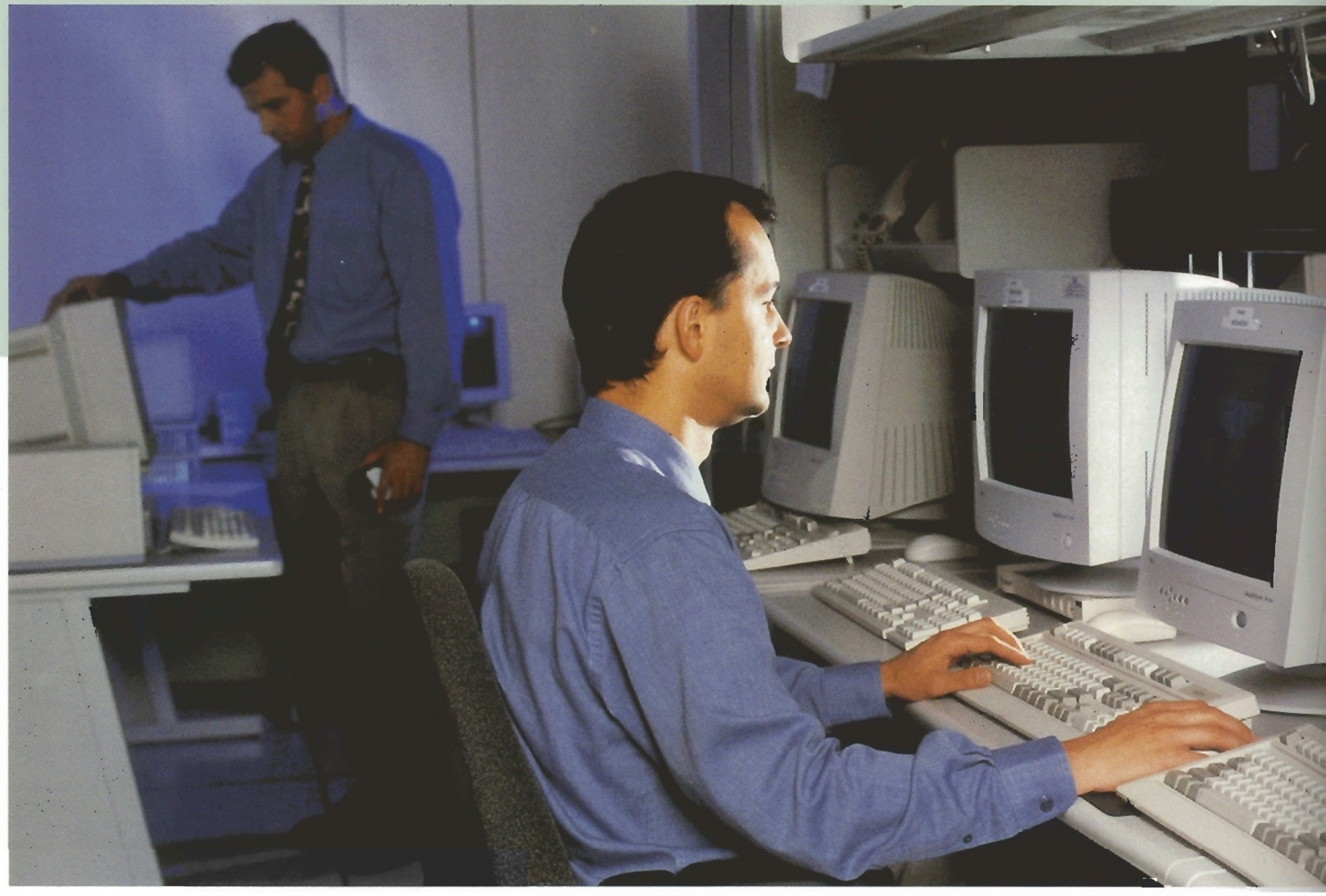
Development and implementation of a new Billing System to handle billing for power generation legacy plants according to the Power Purchase Arrangements.

Implemented advanced voice technology solutions to improve call handling capacity and call routing capability for the call centre.

Identified and implemented high speed converged data and telephony capability for our networks, including voice over the Internet protocol, and virtual private network services, both of which will provide service improvements and cost benefits to ATCO Ltd.

In addition to meeting tremendous growth and schedule challenges, ATCO I-Tek was successful in meeting the unit cost reductions committed to as part of their Master Service Agreement with all their clients. For the second straight year, in an independent benchmark comparison, ATCO I-Tek's service levels and unit prices for all areas of service compared favorably to those in the industry.

Technologies



ATCO I-Tek's team of over 350 information technology professionals handled over 50,000 requests for service from their clients in 2000.

COMMUNITY AND ENVIRONMENT

The Technologies Group supports the corporate environmental, health and safety guidelines, employing sound business practices throughout its organization. The use of recycling bins for paper products, as well as the use of recycled paper whenever possible provides a significant positive impact on the environment.

ATCO I-Tek is a sponsor of Alberta's "Computers for Schools" program. This program has enabled ATCO I-Tek to donate retired computer equipment in support of schools and public libraries in communities throughout Alberta. ATCO I-Tek matches employee donations to charitable organizations, partners with other ATCO companies in support of community causes, and sponsors IT industry conferences relevant to the professional development of its employees. ATCO I-Tek also participates in the Intern and Co-Op programs of post secondary institutions in Alberta.

ATCO Singlepoint's community participation strategy is to invest in those places where the company has a face to the customer and in communities where staff live and work.

In 2000, ATCO Singlepoint provided sponsorship for the Red Deer Westerner Days, and made donations to a City of Red Deer sponsored shelter, the Collicutt Centre recreation complex, and matched employee donations to various charitable causes.

Industrials

W. A. (Walter) Kmet, Managing Director, Industrials

The Industrials Group includes ATCO Structures, ATCO Noise Management, Genics and ASHCOR Technologies. As noted in the Co-Chairmen's remarks this "collection" of businesses has each developed an expertise within their respective industries. Our mandate as a Group is to achieve profitable growth by building on our strength as a world leader in modular buildings and further become recognized as a global enterprise excelling in modular buildings, noise abatement, environmentally friendly wood preservation products and marketing coal combustion products.

Our responsibility to our employees is to provide a safe and healthy working environment and develop personal skills to allow for growth and opportunity within each of our companies and throughout the Industrials Group.

I am pleased to provide the following synopsis for each of these companies in the year 2000.

Walter Kmet

Walter A. Kmet

Managing Director
Industrials

ATCO STRUCTURES

ATCO Structures operates worldwide from manufacturing facilities on five continents. The activities and performance of the company overall varied from location to location during the year.

AUSTRALIA

Without question ATCO Structures' operations in Australia continued to excel with the opening of two new branches in Mackay, Queensland and Melbourne, Victoria. ATCO Structures Pty Ltd. expanded its national fleet to over 3,000 units and achieved utilization rates of over 75% during the year. ATCO proudly participated in the Sydney Olympic Games, providing over 300 units for media accommodation and various support requirements at many venues.

Other notable projects included: supply of military and diplomatic accommodation for Australia's East Timor relief effort, a series of contracts to supply telecommunication equipment shelters for Australia's expanding mobile phone and fibre optic network, and expanding the construction camp for the Bechtel Millmerran Power Project in Queensland from 700 to 1,200 persons.

CANADA

In Canada, ATCO Structures returned to the Space Rentals market in April 2000. The product line includes relocatable site offices, lavatories, mine drys, communication buildings, first aids, locker rooms and storage units. Space Rentals sales offices have been established in Alberta and British Columbia and further expansion is expected in 2001.

The workforce housing business began the year with the manufacture and installation of a 1,761 person construction camp for the Albian Oil Sands development 75 km north of Fort McMurray. The camp was completed in October with possible expansion to 2,200 people by July 2001. This camp features ATCO's "new generation" dormitories, kitchen/diner and recreation complexes. Another key project in Canada was the contract to build a 60 person drill camp destined for the MacKenzie Delta, NWT. ATCO manufactured the 21-unit camp in Calgary and significant features included complete electrical services and a water treatment/storage system.

High energy prices are providing for a high level of expenditures in Canada and the United States, ensuring a good backlog of activity for the company's factories in Calgary and Spruce Grove, combined with steady fleet utilization as well. Sales of the patented Fold-A-Way storage buildings were consistent throughout the year.

UNITED STATES

ATCO Structures manufacturing facility in Diboll, Texas, north of Houston received state certification in February 2000 and production commenced in March. A variety of products are being manufactured including offices, classrooms, storage units and storage facilities. These products are being sold to key U.S. Space Rental dealers based in the south-central region of the United States. The company has gained excellent client acceptance for its products and it is expected to maintain a strong level of activity in the coming year.

EUROPE

ATCO Europe's operations based in Budapest, Hungary successfully completed a number of significant projects destined for Kazakhstan including a 100 person camp for the Sazankurak Oil Field Project, a 200 person camp for the Karachaganak oil and gas field project, and a 13

Industrials

ATCO Structures manufactured and installed workforce housing including dormitories, kitchen/dining and recreation facilities for 1,761 workers at the Albian Oil Sands Project near Fort McMurray, Alberta in 2000.

person drill camp for Parker Drilling. Other notable projects included a 17-module office and pre-engineered operations building for a missile dismantlement program in Russia and staff housing for a highway construction project in Croatia. Markets in Europe remain very competitive and the outlook for 2001 is very encouraging. Significant capital spending in the oil and gas industries is expected, particularly in Kazakhstan and Algeria.

SOUTH AMERICA

In South America, ATCO's joint venture company Tecno Fast ATCO experienced a quiet year. However there are a number of significant projects proceeding in early 2001 that should ensure a strong upcoming year for the company.

ATCO NOISE MANAGEMENT

Established in 1991, and headquartered in Calgary, ATCO Noise Management is a full-service engineering, procurement and construction company specializing in noise abatement for industrial facilities.

A significant achievement for ATCO Noise Management in 2000 was the completion of 53 acoustic generator enclosures for Siemens Westinghouse Power Corporation (SWPC) at sites throughout North America. In 2001, the company will deliver an additional 70 enclosures using the new panelized design developed for SWPC.

In the area of acoustic retrofit, ATCO Noise Management commenced retrofits for 10 power plants at four sites in Puerto Rico. Further acoustic treatment of facilities was completed in Alberta, Ontario, the northeastern United States and the United Kingdom.

During the year, a new growth opportunity for ATCO Noise Management resulted from customer requests for assistance early in the project stage for acoustical surveying and preliminary analysis. As a result, major environmental noise assessments were conducted in Alabama, Texas, Pennsylvania and Virginia.

Opportunities for acoustic applications continue to grow. In late 2000, ATCO Noise Management was awarded the acoustic retrofit of a power plant in Panama, acoustic treatment for new compressor installations in the United Kingdom and the design and supply of six acoustical enclosures for Hitachi America in Saskatchewan.

ATCO Noise Management designed, supplied and installed the acoustic treatment of the compressor building at the Cantarell Nitrogen Project in Campeche, Mexico.

For 2001, ATCO Noise Management will continue to meet the strong demand for noise abatement for customers in the United Kingdom, Canada and the United States – particularly from the energy industry where electrical power shortfall is creating a need for new generation. The company plans to open an office in Orlando, Florida in the spring of 2001 to maximize this opportunity. Further objectives include developing new products to sell to the original equipment manufacturer market.

ASHCOR TECHNOLOGIES

ASHCOR is in the business of marketing fly ash to consuming industries in Alberta, eastern British Columbia and western Saskatchewan. From a "greenfield" start-up in 1998, ASHCOR is now recognized as a reliable and competitive supplier of quality fly ash, which is used as a partial replacement for Portland Cement in the production of ready-mixed concrete, oil well cements and in a variety of construction applications. For 2001 and beyond, the Company will continue to build its customer base in these traditional fly ash markets and seek new applications.

GENICS

Genics, headquartered near Edmonton, Alberta develops, manufactures and markets innovative environmentally friendly wood preservatives for the utility, commercial and residential markets throughout North America.

In 2000, Genics successfully provided a full range of remedial treatment products to major utility companies across Canada through a sales and distribution network. As the utility industry undergoes restructuring, there will continue to be an increased focus on the reliability and maintenance of transmission/distribution assets.

In the United States, Genics products are being selected by a growing number of U.S. power companies. The outlook for Genics is to increase market share as U.S. utility companies become increasingly conscious of the adverse environmental impacts associated with traditional retreatment products and practices.

ENVIRONMENT AND COMMUNITY

ATCO Industrials Group is committed to excellence in the conduct of our operations and in the provision of our products and services in an environmentally responsible manner. Our commitment is driven not only by legislated requirements but also by the expectations of our customers and the communities in which we conduct our business.

Financial Overview

J. A. (Jim) Campbell, Senior Vice President, Finance and Chief Financial Officer

New performance records were set by the ATCO Group in 2000.

> *Earnings per share increased for the 13th consecutive year - earnings per share in 2000 were $3.79 compared to $3.36 in 1999.*
>
> *Earnings increased by 11.9% to $112.7 million in 2000 from $100.7 million in 1999.*
>
> *Primarily as a result of the higher earnings, cash flow from operations increased by $25.6 million to $519.4 million in 2000.*
>
> *Common share dividends increased by 15% to $0.92 per share in 2000 from $0.80 per share in 1999.*
>
> *Property, plant and equipment of $4.2 billion in 2000 was up from $4.0 billion in 1999. Capital expenditures (net) increased by $94.9 million to $493.5 million in 2000, primarily the result of increased investment in non-regulated power plants by the Power Generation Group and in additional pipelines by the Logistics and Energy Services Group.*

Franchise fees paid by the regulated companies to communities for the right to distribute natural gas and electricity increased by 28% in 2000 up to $100.1 million, primarily due to higher natural gas costs.

ATCO's share owners achieved a total return, including capital gain and dividends, of 20% in 2000. Over the last five years, as shown on the graph on the following page, share owners would have received an average annual growth rate of 23% on their investment in ATCO shares.

The reorganization of Canadian Utilities implemented on July 1, 1999 provides greater flexibility for the regulated operations to develop, manage and finance their respective operations independently. It also allows the non-regulated operations to continue their growth without affecting the financial strength and credit ratings of the regulated utility operations.

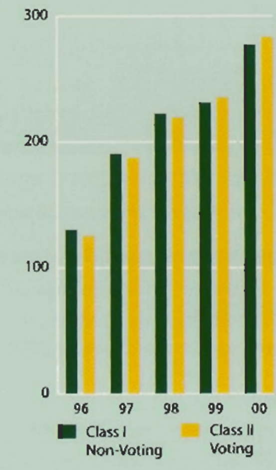
Since the reorganization, CU Inc., the parent company of the regulated utility operations, has issued $500 million of debentures — $300 million in 1999 and $200 million in 2000 to finance the operations of ATCO Electric, ATCO Gas and ATCO Pipelines. In 2000, CU Inc. issued $100 million of 6.97% debentures due June 2, 2008 and $100 million of 7.05% debentures due June 1, 2011. CU Inc. redeemed $50.2 million of long term debt with interest rates ranging up to 8.81% and $34.1 million of preferred shares having a dividend rate of 6.6%.

As referenced in the Co-Chairmen's Letter to the Share Owners, our Power Generation Group is increasingly replacing earnings from the regulated companies. The corollary of increased earnings growth is increased capital requirements. Therefore, ATCO Power has arranged financing of approximately $450 million, on a non-recourse basis with anticipated completion in the first half of 2001, for the 150MW cogeneration plant at the Athabaska Oil Sands Project Upgrader at Scotford, Alberta; the 170MW cogeneration plant at the Athabaska Oil Sands Project at the Muskeg River Mine near Fort McMurray; and the 260MW cogeneration plant at the Cory Mine near Saskatoon, Saskatchewan.

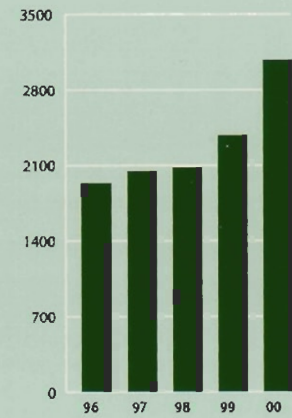
Share owners' equity increased by $78.1 million to $822.3 million in 2000. The ATCO Group has the financial strength and financial flexibility required to meet its growth objectives in the short term and in the longer term.

J.A. (Jim) Campbell
Senior Vice President, Finance
and Chief Financial Officer
ATCO Ltd.

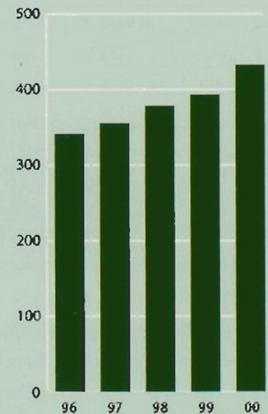
FIVE YEAR TOTAL RETURN ON $100 INVESTMENT
(Dollars)



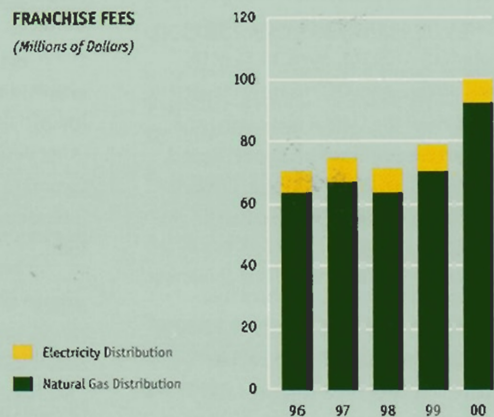
REVENUES
(Millions of Dollars)



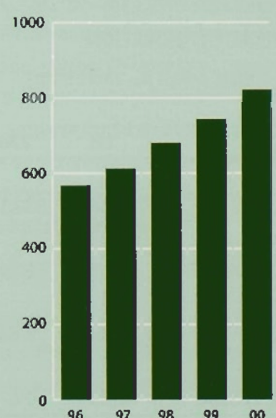
EARNINGS
(Millions of Dollars)
Earnings before income taxes & non-controlling interests



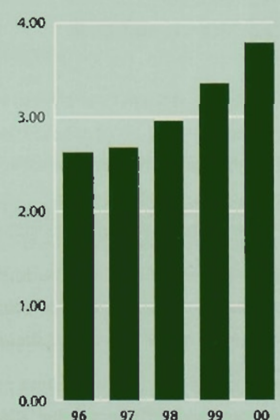
FRANCHISE FEES
(Millions of Dollars)



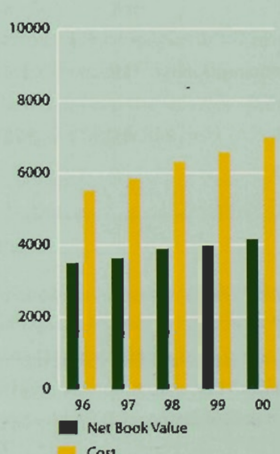
CLASS I AND CLASS II SHAREHOLDERS' EQUITY
(Millions of Dollars)



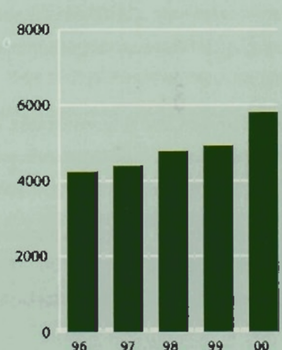
EARNINGS PER CLASS I AND CLASS II SHARE
(Dollars)



PROPERTY, PLANT AND EQUIPMENT
(Millions of Dollars)



TOTAL ASSETS
(Millions of Dollars)



Management's Discussion And Analysis of Financial Condition and Results of Operations

INTRODUCTION

The following discussion and analysis of financial condition and results of operations of ATCO Ltd. for the two years ended December 31, 2000 should be read in conjunction with the audited consolidated financial statements which include the accounts of ATCO Ltd. and all of its subsidiaries ("ATCO"). The principal subsidiaries are Canadian Utilities Limited ("Canadian Utilities"), of which ATCO Ltd. owns 41.7% of the Class A non-voting shares and 69.0% of the Class B common shares, for an aggregate ownership of 51.9%, ATCO Structures Inc. ("ASI") of which ATCO Ltd. owns 100% of the Class A non-voting and Class B common shares, and ATCO Noise Management Ltd. ("ANM") of which ATCO Ltd. owns 100% of the Class A non-voting and Class B common shares. Canadian Utilities has published an Annual Report containing its Management's Discussion and Analysis of Financial Condition and Results of Operations. Please refer to Shareholders' Information on the inside back cover of this annual report to obtain copies.

ATCO's annual audited financial statements are consolidated from four principal Business Groups: Utilities, Power Generation, Logistics and Energy Services and Industrials. For the purposes of financial disclosure, the Technologies Business Group is accounted for as Other Businesses and corporate transactions are accounted for as Corporate. (Refer to Note 16 to the consolidated financial statements). Transactions between Business Groups are eliminated in all reporting of ATCO's consolidated financial information.

REORGANIZATIONS

During July 2000, ATCO's principal operating subsidiaries were reorganized into five focused Business Groups. In addition, on January 1, 2001, ATCO completed an internal reorganization consisting of the following transactions:

> *The operations and assets of Northwestern Utilities Limited ("NUL") were transferred to ATCO Gas and Pipelines Ltd. ("AGP") and NUL became an inactive wholly owned subsidiary of AGP.*
>
> *Substantially all of the generating assets of ATCO Electric Ltd. ("ATCO Electric") were transferred to Alberta Power (2000) Ltd. ("Alberta Power").*
>
> *Ashcor Technologies Ltd., formerly a subsidiary of ATCO Electric, and Genics Inc., formerly a subsidiary of ATCO Frontec Corp., became direct subsidiaries of Canadian Utilities.*
>
> *The reorganized structure, with revised roles and responsibilities, will enable ATCO to sustain its current achievements and to set new goals for future growth.*

Except where otherwise indicated, the disclosure in this Management's Discussion and Analysis is presented as at December 31, 2000, after giving effect to the July 2000 and January 1, 2001, reorganizations.

RESULTS OF OPERATIONS

CONSOLIDATED OPERATIONS

Segmented revenues and earnings for the years 2000 and 1999 were as follows:

Business Groups	Revenues		Earnings	
(Millions of Canadian Dollars)	**2000**	1999	**2000**	1999
Utilities	**2,060.9**	1,570.8	**40.1**	47.9
Power Generation	**727.2**	567.6	**58.3**	35.3
Logistics and Energy Services	**921.3**	555.5	**24.3**	21.1
Industrials	**132.0**	164.2	**5.2**	13.0
Other Businesses	**91.1**	77.7	**3.0**	(1.2)
Corporate	**16.0**	14.1	**(15.7)**	(11.9)
Intersegment	**(872.5)**	(575.1)	**(2.5)**	(3.5)
Total	**3,076.0**	2,374.8	**112.7**	100.7

Note:
Certain 1999 comparative figures have been reclassified to conform with the current year's presentation.

Earnings per Class I Non-Voting Share ("Class I Share") and Class II Voting Share ("Class II Share") increased to $3.79 in 2000 from $3.36 in 1999.

QUARTERLY FINANCIAL INFORMATION

(Millions of Canadian Dollars except per share data)
(unaudited)

	1st	2nd	3rd	4th
2000				
Revenues	773.8	588.1	616.9	1,097.2
Earnings Attributable to Class I and Class II Shares (1) (2)	39.1	20.0	22.1	31.5
Earnings Per Class I and Class II Share (1) (2)	1.31	0.68	0.74	1.06
Fully Diluted Earnings Per Class I and Class II Share (1) (2)	1.30	0.67	0.73	1.05
1999				
Revenues	668.7	524.8	482.7	698.6
Earnings Attributable to Class I and Class II Shares (1) (2)	35.3	21.8	18.7	24.9
Earnings Per Class I and Class II Share (1) (2)	1.18	0.72	0.63	0.83
Fully Diluted Earnings Per Class I and Class II Share (1) (2)	1.17	0.71	0.62	0.82

Notes:

(1) *There were no discontinued operations or extraordinary items during these periods.*

(2) *Due to the seasonal nature of ATCO's operations and the timing of rate decisions, earnings for any quarter are not necessarily indicative of operations on an annual basis.*

UTILITIES

Earnings from utilities operations for 2000, which amounted to 35.6% of consolidated earnings, decreased by $7.8 million to $40.1 million, primarily resulting from the impact of rate decisions for AGP, partially offset by improved performance in ATCO Electric and the impact of colder temperatures. Temperatures in 2000 were 4.5% colder than normal, whereas temperatures in 1999 were 8.3% warmer than normal.

Revenues in 2000 increased by $490.1 million to $2,060.9 million. The primary reason for the increase was higher natural gas supply costs recovered in customer rates, partially offset by the impact of rate decisions received in 2000.

Operating expenses for 2000 increased by $518.5 million to $1,702.9 million. This increase was primarily due to higher natural gas supply costs. The amount of natural gas supply costs recorded as an expense is based on the forecast cost of natural gas included in customer rates. Any variances from forecast are deferred until the Alberta Energy and Utilities Board ("AEUB") approves revised rates to either refund or collect the variance. As a consequence, changes in natural gas supply costs have no effect on ATCO's earnings.

During 2000, the natural gas distribution division of AGP ("ATCO Gas") determined that it would concentrate fully on the distribution of natural gas to its customers and announced that it would sell all of its oil and gas producing properties. On December 22, 2000, ATCO Gas conditionally agreed to sell its Viking-Kinsella producing property effective December 31, 2000 for $490.0 million, before closing adjustments. On January 10, 2001, ATCO Gas reached a conditional agreement to sell its interest in several non-operated producing properties for $15.4 million, subject to closing adjustments. On February 1, 2001, ATCO Gas reached a conditional agreement to sell its interest in the Beaverhill Lake and Fort Saskatchewan area producing properties for $37.0 million, subject to closing adjustments. On February 27, 2001, ATCO Gas reached a conditional agreement to sell its interest in the Lloydminster producing property for $3.8 million, subject to closing adjustments. These sales are expected to close in the second quarter of 2001. Both the sales and the sharing of proceeds between customers and ATCO Gas are subject to regulatory approval.

POWER GENERATION

Earnings from power generation operations (which includes ATCO Power Ltd. ("ATCO Power"), ATCO Resources Ltd. ("ATCO Resources") and the Alberta interconnected generating assets acquired by Alberta Power) for 2000, which amounted to 51.7% of consolidated earnings, increased by $23.0 million to $58.3 million.

Revenues in 2000 increased by $159.6 million to $727.2 million. This increase was primarily the result of higher power pool prices (ATCO Power and ATCO Resources) and the recovery of higher Alberta transmission access charges and higher fuel costs (Alberta Power).

Operating expenses for 2000 increased by $87.4 million to $400.8 million. The increase was primarily the result of higher fuel prices and higher Alberta transmission access costs.

ATCO Power is constructing and will operate a $70 million, 92 megawatt natural gas fired generating station near Valleyview, Alberta. All of the electricity produced by the station will be sold to the Alberta power pool. The project is scheduled for commissioning in 2002. ATCO Power will own an 80% interest in the project and ATCO Resources will own 20%.

ATCO Power is constructing and will operate a $33 million, 32 megawatt hydroelectric generating station at the Oldman River dam near Pincher Creek, Alberta. All of the electricity produced by the station will be sold to the Alberta Power Pool. The project is scheduled for commissioning in 2002. ATCO Power will own an 80% interest in the project and ATCO Resources will own 20%. ATCO Power and the Peigan Nation of Brocket, Alberta are discussing a partnering arrangement in the project.

Alberta Power and the Alberta Balancing Pool entered into an agreement which gives the Alberta Balancing Pool control of the H.R. Milner generating station effective January 1, 2001 and the right to sell it in the future. In return, Alberta Power was paid $63.5 million, the net book value of the station and the coal inventory. Alberta Power will operate the station on a cost of service basis on behalf of the Alberta Balancing Pool. Luscar Ltd. has contracted to supply coal to the generating station.

LOGISTICS AND ENERGY SERVICES

Earnings from logistics and energy services operations for 2000, which amounted to 21.6% of consolidated earnings, increased by $3.2 million to $24.3 million.

Revenues in 2000 increased by $365.8 million to $921.3 million. The primary reason for the increase was higher volumes of natural gas processed and stored in non-regulated natural gas processing, gathering and storage operations and higher prices for natural gas and ethane.

Operating expenses for 2000, net of intersegment expenses, increased by $156.2 million. This increase was primarily due to the increase in natural gas prices.

INDUSTRIALS

Earnings from industrials operations decreased by $7.8 million to $5.2 million in 2000.

Revenues in 2000 decreased by $32.2 million to $132.0 million, primarily due to decreased manufacturing sales in Europe, Canada and South America, partially offset by sales in the new United States operations.

Western Canadian capital resource projects provide the primary domestic market for the North American workforce housing division. During 2000, the fleet utilization rate of 61% was down from 64% in 1999. Programs to rationalize and modernize the size of the workforce housing lease fleet are continuing.

Operating expenses for 2000 decreased by $24.4 million to $111.7 million, primarily as a result of reduced business activity, partially offset by the increased costs of ASI's new manufacturing plant in the U.S.

ASI will continue to focus on its core businesses of workforce housing in North America, Australia, South America and Europe and selective international markets and on the space rental business in Australia and Canada. ANM will continue to focus on the growing demand for turnkey guaranteed noise abatement opportunities in the energy industry worldwide.

A number of major projects, which provide opportunities for AST, are planned for development in 2001 and beyond. In Australia, the majority of these projects are still on hold and may proceed starting late in 2001. AST expects a number of projects in South America, North America, Europe and Africa to proceed in 2001.

International sales may expose ASI and ANM to greater risk than normally associated with domestic transactions due to the political and financial aspects of international business. However, ASI and ANM will continue to follow strict credit policies on international sales to minimize financial exposure and will continue to utilize its international experience to manage the political and other risks associated with international business. ASI has marketed and installed its manufactured products in over 105 countries around the world since 1947.

OTHER BUSINESSES

Earnings from other businesses for 2000 increased by $4.2 million to $3.0 million.

NON-CONTROLLING INTERESTS

The interests of non-controlling shareholders increased from $111.2 million in 1999 to $126.1 million in 2000. This increase was primarily due to increased earnings by Canadian Utilities and higher dividends on Canadian Utilities' non-retractable preferred shares.

REGULATORY MATTERS

NATURAL GAS UTILITIES

Merger of NUL and AGP

On June 16, 1998, NUL and AGP (formerly Canadian Western Natural Gas Company Limited) announced that the operations of the two companies would be merged and then restructured into two new businesses, one of which, the natural gas transmission division of AGP ("ATCO Pipelines"), would focus on transmitting natural gas throughout Alberta to industrial customers, distribution companies and export pipelines through high pressure pipelines. The other, ATCO Gas, would distribute natural gas, primarily to residential and commercial customers. The AEUB decision approving the restructuring directed NUL and AGP to maintain separate accounts for regulatory purposes for four new divisions (ATCO Gas North, ATCO Pipelines North, ATCO Gas South and ATCO Pipelines South) until December 31, 2004. The restructuring was completed January 1, 2001 with the transfer of NUL's operations and assets to AGP.

Gas Utilities Act

Under the Gas Utilities Act, customers in Alberta have the choice of purchasing their natural gas supplies from their local natural gas utility or directly from retailers, subject to certain conditions. In any case, the local natural gas utility provides the distribution services for all customers under AEUB approved tariffs which provide for the recovery of the cost of service, including a fair return on rate base.

Customers purchasing natural gas from ATCO Gas do so at rates that are approved by the AEUB. ATCO Gas receives no profit or benefit from increases in natural gas prices. The cost of the natural gas it purchases for sale to its customers is passed on directly to its customers following scrutiny in a public process under the authority of the AEUB. The AEUB requires ATCO Gas to file an application with the AEUB to adjust customer rates whenever the difference between natural gas costs and cost recoveries from customers exceeds levels set by the AEUB. Customer rates proposed by ATCO Gas are scrutinized in public hearings which allow intervenors and the AEUB to test the prudence of ATCO Gas' natural gas purchase prices and resulting costs.

Recent Decisions - ATCO Gas and ATCO Pipelines

In 1998, the AEUB approved a five year negotiated settlement for NUL (ATCO Gas North and ATCO Pipelines North) which established cost of service rates and terms and conditions of service for residential, commercial, institutional and small industrial customers for 1998 through 2002. Among other things, the negotiated settlement included an incentive methodology. The agreement would be re-opened if the normalized utility return for that year was greater than 400 basis points over the National Energy Board determined return for certain pipelines under its jurisdiction for that year ("NEB Return") or 300 basis points below the NEB Return. In March 2000, ATCO Gas North advised that it had exceeded the 1999 NEB Return by more than 400 basis points, triggering a re-opening of the agreement. ATCO Gas North also advised that there would not be a rate increase for the year 2000. The re-opening was settled by negotiation between ATCO Gas North and its customers. The revised negotiated settlement provided that the current rates would be reduced by 14% effective January 1, 2001 and would remain in effect for the balance of the agreement. In addition, the earnings test was amended and the earnings re-opener clause eliminated. The amended test provides for an equal sharing of the earnings in excess of 300 basis points above the NEB Return. On December 22, 2000, the revised negotiated settlement was approved by the AEUB.

On March 2, 2000, the AEUB issued a decision on the general rate application of AGP (ATCO Gas South and ATCO Pipelines South) for the test year 1998 and the review of the 1997 capital structure and return on common equity. The decision, among other things, provided for an approved rate of return on common equity of 10.5% in 1997 and 9.375% for 1998. The decision reduced earnings attributable to Class I and Class II Shares by $6.8 million, of which $4.7 million was provided for in 1999. Rates approved in the decision were implemented on September 1, 2000.

On May 3, 1999, AGP (ATCO Gas South and ATCO Pipelines South) filed a general rate application for 1999. The AEUB held the application in abeyance until it issued a decision on AGP's 1998 general rate application. On May 4, 2000, AGP requested that the general rate application be withdrawn, stating its belief that the 1998 rates approved by the AEUB were appropriate for 1999 and 2000. On December 21, 2000, the AEUB issued a decision permitting AGP to withdraw the 1999 general rate application and confirming that there was no need to file a general rate application for 2000. The decision also directed AGP to refund $23.7 million to its customers. The refund, comprised of $14.1 million for 1999 and $9.6 million in 2000, arose from the application of 1998 rates for the period January 1, 1999 to August 31, 2000. The refund reduced earnings attributable to Class I and Class II Shares by $7.0 million, of which $4.2 million relates to 1999.

In a decision dated February 4, 2000, the AEUB approved new pipeline tolls and tariffs for Nova Gas Transmission Ltd. ("Nova"). This decision triggered a re-opening of NUL's and AGP's existing Industrial/Producer settlement agreements and ATCO Pipelines commenced negotiations with its customers on the changes to its rates, tolls and charges required to maintain competitiveness with Nova's tolls and tariffs. Negotiations were successful and on November 29, 2000, ATCO Pipelines North and ATCO Pipelines South filed applications with the AEUB requesting approval of the rates and terms and conditions of service for 2001 and 2002. In late December 2000, the AEUB approved the negotiated settlements on an interim refundable basis. A hearing on these applications will follow ATCO Pipelines South general rate application.

On December 6, 2000, ATCO Gas South filed a general rate application for the test years 2001 and 2002. The application requests an increase in revenue requirement of approximately $23.8 million in 2001 and $24.0 million in 2002. The application incorporates forecast costs which, among other things, are based on rates of return of 11.5% for each year on the portion of rate base considered to be financed by common equity. Hearings are scheduled to commence on June 5, 2001.

On December 14, 2000, ATCO Pipelines South filed a general rate application for the test years 2001 and 2002. The application incorporates forecast costs which, among other things, are based on rates of return of 12.00% for each year on the portion of rate base considered to be financed by common equity. Hearings are scheduled to commence on June 26, 2001.

Alberta regulations require ATCO Gas North and ATCO Gas South to seek a rate change from the AEUB when the actual costs of natural gas purchased for the five month winter period are likely to exceed forecast costs by more than $2 million or 3%. Due to the unprecedented high market prices for natural gas, ATCO Gas North and ATCO Gas South had underrecovered $135.1 million by December 31, 2000. On January 19, 2001, ATCO Gas North and ATCO Gas South filed applications with the AEUB seeking recovery of the difference between actual costs incurred to date and the costs forecast to March 31, 2001. The applications sought the approval of one of two options. Option A incorporated an annualized rate which would allow ATCO Gas North and ATCO Gas South to take a 12 month projection of natural gas costs and recover all natural gas supply and related costs, including financing costs, over the next 12 months. Option B was the normal course rate adjustment application which sought to recover the winter gas costs by April 30, 2001. On January 24, 2001, the AEUB approved Option A on an interim basis. On February 28, 2001, the AEUB approved the winter gas cost recovery rates for all customers. Option A was approved for residential, commercial and industrial customers that use less than 8,000 gigajoules annually. For all other customers, the AEUB approved option B. For option B customers, ATCO Gas must apply for a summer gas cost recovery rate that will be in effect from May 1, 2001 through October 31, 2001.

ELECTRIC UTILITIES

Electric Utilities Act

The Electric Utilities Act ("EUA") provides the framework for a new structure in Alberta's electric utility industry and introduces competition into the electric utility business. As of January 1, 2001, generation has been completely deregulated, retail competition has been introduced and retail choice is available. Most of the regulations under the EUA required for the deregulation and retail competition are in place. ATCO Electric, along with other industry participants, continues to be involved in discussions with the government of Alberta regarding further amendments to the EUA and the associated regulations.

It is anticipated that ATCO Electric's transmission and distribution activities will continue to be regulated.

New Generation

Under the EUA, generation assets constructed after December 31, 1995 are not considered part of utility operations and rates are not regulated by the AEUB. All owners of new and existing generating units must sell their surplus electric energy through the Alberta Power Pool.

Existing Generation

The EUA provided for the equalization of costs of "existing generation" that was in service at December 31, 1995. On January 1, 2001, existing generation was deregulated through a system of long term power purchase arrangements ("PPAs"). Under the PPAs, generators are required to make the generation available to the purchaser of the PPA. In return, the generator is entitled to recover its fixed and variable forecast costs for that unit from the PPA purchaser, including a fair return on common equity. Many of the forecast costs will be determined by index, formula or other means for the entire period of the PPA. There will be no continuing regulation of PPAs by the AEUB.

Transmission

Under the EUA, separate wholesale tariffs for transmission must be approved by the AEUB. The transmission tariffs allow any owner of a generating unit to have access to the transmission systems in Alberta and thus facilitate the sale of its power. The same transmission tariff is charged to each distribution utility or customer directly connected to the transmission system regardless of location.

The equalization of transmission costs is achieved by having each owner of transmission facilities charge its costs to the Transmission Administrator. The Transmission Administrator then aggregates these costs and charges a common transmission rate to all who use the transmission system.

Distribution

Under the EUA, separate retail rates for distribution must be approved by the AEUB. Costs of distribution are not equalized. The distribution utility provides the transportation and distribution services for all customers under AEUB approved tariffs which provide for the recovery of the cost of service, including a fair return on rate base.

Retail

Commencing January 1, 2001, all customers have a choice as to the supplier of their electric energy. Industrial and large commercial customers are required to select a retailer effective January 1, 2001. Other customers may continue to purchase electricity from their current distribution utility under a regulated rate option. This option is to be available for five years (2001 – 2005) for residential and farm customers and for three years (2001 – 2003) for small commercial and small industrial customers.

Recent Decisions - ATCO Electric

In October 2000, the AEUB approved a negotiated settlement relating to ATCO Electric's 2001 and 2002 transmission facility owner tariffs. In February 2001, the AEUB approved a negotiated settlement relating to the revenue requirements for ATCO Electric's 2001 and 2002 distribution functions. Prior to approving the negotiated settlements, the AEUB undertook a process to ensure that the negotiated settlements complied with AEUB guidelines and were in the public interest.

The AEUB also approved ATCO Electric's 2001 regulated rate option tariff in three separate decisions. The AEUB approved energy supply arrangements, non-energy cost components and rates and terms and conditions of service effective January 1, 2001. In late 2000, the government of Alberta announced that the energy component of the regulated rate option would be set at 11 cents per kilowatt hour for 2001. As a result, ATCO Electric may be paying more or less for its purchases of electricity than it is allowed to collect from its customers. To alleviate this, ATCO Electric will be able to apply to the AEUB after July 1, 2001, and, subject to AEUB approval, recover any deficiency or refund any surplus commencing after January 1, 2002.

In December 2000, the Minister of Resource Development issued a Deferral Account Deficiency Correction Regulation and in January 2001 issued a Deferral Account Deficiency Correction Amendment Regulation. The effect of these regulations is that specific distribution deferral accounts related to pool price and energy volume variance from forecast for 2000 will be held in a deferral account. Subject to AEUB approval, the non-current deferral account balance, which amounted to $86.0 million as at December 31, 2000, will be recovered from customers during the period from January 1, 2002 to December 31, 2004. The regulations allow distributors to recover the costs of financing the amounts in the deferral accounts. ATCO Electric has received approval from the AEUB to receive a monthly carrying cost payment on an interim refundable basis related to these deferral accounts in accordance with these regulations.

The transfer of substantially all of ATCO Electric's generating units to Alberta Power was conditionally approved by the AEUB on December 19, 2000, subject to a review of the values of assets and liabilities transferred, the impact on deferred income taxes and the income tax elections. ATCO Power operates Alberta Power's assets pursuant to management agreements.

LIQUIDITY AND CAPITAL RESOURCES

A major portion of ATCO's operating income and cash flow is generated from its utility operations. Canadian Utilities and its wholly owned subsidiary, CU Inc., use commercial paper borrowings and short term bank loans to provide flexibility in the timing and amounts of long term financing. Utility rates designed to recover financing costs and depreciation over the useful life of the utility assets assure the availability of funds for debt interest and retirement, and preferred share dividends and redemption. ATCO Ltd. and CanUtilities Holdings Ltd., a wholly owned subsidiary, receive dividends from Canadian Utilities which have been more than sufficient to service debt requirements and pay dividends.

Cash flow from operations increased by $25.6 million to $519.4 million in 2000, primarily due to higher earnings before future income taxes and depreciation and depletion.

Investing increased from $400.0 million in 1999 to $479.1 million in 2000, primarily as a result of higher capital expenditures during 2000 and an increase in non-current deferred electricity costs.

Capital expenditures in 2000 increased from $398.6 in 1999 to $493.5 million in 2000, primarily the result of increased investment in power generation facilities (ATCO Power and ATCO Resources) and pipeline extensions in the Logistics and Energy Services Business Group (ATCO Pipelines).

At December 31, 2000, ATCO had credit lines totaling $989.2 million, of which $427.8 million was available on a long term committed basis by the lenders, $314.5 million was available on a short term committed basis and $246.9 million was available on an uncommitted basis. At December 31, 2000, $292.4 million of long term committed credit lines, $304.4 million of short term committed credit lines and $125.5 million of uncommitted credit lines were available to be drawn.

In response to increased working capital requirements arising from high natural gas prices and the deregulation of the electrical industry in Alberta, CU Inc. increased the maximum amount authorized to be borrowed under its commercial paper program from $200.0 million to $400.0 million on March 1, 2001. The amount of the undrawn committed line of credit which provides assurance that CU Inc. will be able to make payment of all commercial paper borrowings has also been increased to $400.0 million.

In response to increased working capital requirements arising from growth in non-regulated operations, CU increased the maximum amount authorized to be borrowed under its commercial paper program from $100.0 million to $200.0 million on March 1, 2001. The amount of the undrawn committed line of credit which provides assurance that CU will be able to make payment of all commercial paper borrowings has also been increased to $200.0 million.

Future income tax liabilities of $229.1 million, at December 31, 2000, are attributable to differences between the financial statement carrying amounts of assets and liabilities and their tax bases. These differences result primarily from recognizing revenue and expenses in different years for financial and tax reporting purposes. Future income taxes will become payable when such differences are reversed through the settlement of liabilities and realization of assets.

In May 2000, ATCO Ltd. filed a notice of intention to make a normal course issuer bid for the purchase of up to 5% of its outstanding Class I Shares during the period May 25, 2000 to May 24, 2001. To date, no shares have been purchased pursuant to this normal course issuer bid.

It is the policy of ATCO Ltd. to pay dividends quarterly on its Class I and Class II Shares. The matter of quarterly dividends is addressed by the board of directors in the first quarter of each year. For the first quarter of 2001, the quarterly dividend payment has been increased by $0.03 to $0.26 per share. The payment of any dividend is at the discretion of the board of directors and depends on the financial condition of ATCO Ltd. and other factors.

BUSINESS RISKS

REGULATED OPERATIONS

ATCO's regulated operations are subject to the normal risks faced by regulated companies. These risks include the approval by the AEUB of customer rates which permit a reasonable opportunity to recover on a timely basis the estimated costs of providing service, including a fair return on rate base. ATCO's ability to recover the actual costs of providing service and to earn the approved rates of return depends on achieving the forecasts established in the rate-setting process.

The business risks for ATCO Electric have changed with the introduction of retail competition on January 1, 2001. Together with the transfer of the interconnected generation assets to Alberta Power, this stage of deregulation leaves ATCO Electric as a regulated transmission and distribution utility.

Beginning January 1, 2001, ATCO Electric is required to supply energy to certain customers in one of three ways: through the regulated rate option, as the supplier of last resort and as the default supplier. For all three types of energy supply, ATCO Electric is investigating energy procurement strategies that mitigate both price and volume risk.

With the exception of the above types of customers, ATCO Electric now receives its revenues from unregulated retailers. As protection against bad debt, ATCO Electric has specified certain prudential requirements to be met by retailers, within limits allowed by legislation.

ATCO Electric is obligated to supply energy under the regulated rate option to the residential, farm and small commercial customers in its designated service area who do not choose an unregulated retailer. ATCO Electric is also the supplier of last resort for the regulated rate option eligible customers. ATCO Electric may purchase electricity from marketers, generators and the Alberta Power Pool at fixed and spot prices to supply the regulated rate option customers.

ATCO Electric is also obligated to assign a default supplier for its customers who are not eligible for the regulated rate option tariff and do not choose an unregulated retailer. ATCO Electric appointed itself as the default supplier and purchases electricity from the Alberta Power Pool at the spot price to supply the default supply customers.

Effective January 1, 2001, ATCO Electric appointed itself as the supplier of last resort for its customers who are not eligible for the regulated rate option tariff and who do not have a retailer after December 31, 2000. The energy procurement price for these customers will also be the spot price of the Alberta Power Pool.

NON-REGULATED OPERATIONS

ATCO's non-regulated operations are complementary to its traditional regulated businesses and are related to them in terms of skills, knowledge and experience. ATCO accounts for its non-regulated operations separately from its regulated operations. ATCO's non-regulated operations are subject to the risks faced by any commercial enterprise in those industries and in those countries in which they operate.

By entering into long term contracts with purchasers for the output of projects and with key suppliers, ATCO is able to limit its risk. In the majority of power generation and steam sales undertakings to date, risks in respect of fuel and energy prices have by contract been agreed and allocated to the purchasers of the electric energy and steam and ATCO has not assumed any risks in this regard.

During 2000, 77.6% of the volume of ATCO Power's and ATCO Resources' natural gas supply was purchased under long term contracts or supplied by the purchasers of the electricity. During 2001, 75% of the volume of ATCO Power's and ATCO Resources' natural gas supply is expected to be purchased under long term contracts or supplied by the purchasers of the electricity.

For those projects in Alberta for which there are no long term agreements for the purchase of the power generated, ATCO Power and ATCO Resources purchase their natural gas supplies on the short term market, as they believe that the hourly price of power in the Alberta Power Pool reflects, and will continue to be closely related to, the current market price of natural gas in Alberta.

ATCO Power and ATCO Resources have financed approximately 80% of their non-regulated electrical generating capacity on a non-recourse basis. In these projects, the lender's recourse in the event of default is limited to the business and assets of the project in question and to ATCO's equity therein. ATCO's remaining non-regulated projects are financed through long term bank credit facilities and from internally generated cash.

After December 31, 2000, substantially all the electricity generated by Alberta Power will be sold pursuant to PPAs with EPCOR Utilities Inc. (Battle River generating plant); Engage Energy, a wholly owned subsidiary of Westcoast Energy Inc. (Rainbow generating plant); and the Alberta Balancing Pool (Sheerness generating plant). Under the PPAs, Alberta Power is required to make the generating capacity for each generating unit available to the purchaser of the PPA for that unit. In return, Alberta Power is entitled to recover its forecast fixed and variable costs for that unit from the PPA purchaser, including a return on common equity equal to the long term Canada bond rate plus 4.5% based on a deemed common equity ratio of 45%. Many of the forecast costs will be determined by index, formula or other means for the entire period of the PPA. The AEUB will not regulate the PPAs. Alberta Power's actual results will vary and depend on achieving the forecasts on which the PPAs are based.

Fuel costs in Alberta Power are mostly for coal supply. To protect against volatility in coal prices, Alberta Power owns or has committed under long term contracts sufficient coal supplies for the anticipated lives of its Battle River and Sheerness coal-fired generating plants. These contracts are at prices that are either fixed or indexed to inflation.

HEDGING

It is the policy of ATCO to use financial instruments to reduce specific risk exposures and to not hold these instruments for trading purposes.

ATCO has entered into several contracts in order to reduce interest rate, foreign exchange and commodity price risk. The financial impact of these contracts is not material and the counterparty in each transaction is a major financial institution or a significant industry participant.

March 7, 2001

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

Management depends upon internal accounting control systems to meet its responsibility for reliable and accurate reporting. These control systems are subject to periodic review by the Corporation's internal auditors.

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

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

J.A. Campbell
Senior Vice President, Finance
and Chief Financial Officer

K.M. Watson
Vice-President
Controller

AUDITORS' REPORT

To the Shareholders of ATCO Ltd.

We have audited the consolidated balanced sheets of ATCO Ltd. as at December 31, 2000 and 1999 and the consolidated statements of earnings and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2000 and 1999 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
Calgary, Alberta
February 9, 2001, except as to Note 18
which is as of February 28, 2001.

CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS

(Millions of Canadian Dollars except per share data)

		Year ended December 31	
	Note	2000	1999
Revenues		**$ 3,076.0**	$ 2,374.8
Costs and expenses			
Natural gas supply		**1,002.7**	550.6
Fuel and purchased power		**359.4**	259.3
Operating and maintenance		**588.5**	541.4
Selling and administrative		**158.6**	135.0
Depreciation and amortization		**253.5**	241.0
Interest	8	**199.9**	185.4
Dividends on preferred shares		**17.9**	23.3
Franchise fees		**100.1**	78.2
		2,680.6	2,014.2
		395.4	360.6
Interest and other income	2	**36.5**	32.1
Earnings before income taxes and non-controlling interests		**431.9**	392.7
Income taxes	3	**193.1**	180.8
Net earnings		**238.8**	211.9
Non-controlling interests	4	**126.1**	111.2
Earnings attributable to Class I and Class II shares		**112.7**	100.7
Retained earnings at beginning of year		**609.1**	542.4
		721.8	643.1
Dividends on Class I and Class II shares		**27.3**	23.9
Direct charges	5	**4.7**	10.1
Retained earnings at end of year		**$ 689.8**	$ 609.1
Earnings per Class I and Class II share		**$ 3.79**	$ 3.36
Diluted earnings per Class I and Class II share		**$ 3.75**	$ 3.32
Dividends paid per Class I and Class II share		**$ 0.92**	$ 0.80

CONSOLIDATED BALANCE SHEET

(Millions of Canadian Dollars)

	Note	December 31 2000	1999
ASSETS			
Current assets			
Cash and short term investments		**$ 304.3**	$ 218.3
Accounts receivable		**654.2**	367.5
Inventories		**148.4**	130.5
Income taxes recoverable		**16.3**	-
Deferred natural gas costs	18	**135.1**	5.7
Deferred electricity costs	17	**87.8**	16.1
Prepaid expenses		**18.2**	14.5
		1,364.3	752.6
Property, plant and equipment	6	**4,168.2**	3,976.6
Goodwill		**75.1**	78.7
Security deposits for debt		**22.4**	23.4
Deferred electricity costs	17	**86.0**	3.5
Other assets	7	**99.6**	100.1
		$ 5,815.6	$ 4,934.9
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Bank indebtedness		**$ 126.2**	$ 34.8
Accounts payable and accrued liabilities		**724.4**	327.8
Income taxes payable		**-**	17.1
Future income taxes	3	**55.2**	2.5
Long term debt due within one year	8	**3.3**	3.4
Non-recourse long term debt due within one year	8	**27.4**	24.6
		936.5	410.2
Future income taxes	3	**173.9**	165.1
Deferred credits		**40.1**	31.9
Notes payable	9	**197.1**	80.7
Long term debt	8	**1,897.2**	1,738.1
Non-recourse long term debt	8	**374.5**	408.1
Preferred shares	10	**300.0**	350.0
Non-controlling interests	4	**1,074.0**	1006.6
Class I and Class II shareholders' equity			
Class I and Class II shares	11	**135.4**	135.6
Retained earnings		**689.8**	609.1
Foreign currency translation adjustment		**(2.9)**	(0.5)
		822.3	744.2
		$ 5,815.6	$ 4,934.9

C.O. Twa
Director

B.P. Drummond
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

(Millions of Canadian Dollars)

	Note	Year ended December 31 2000	1999
Operating activities			
Earnings attributable to Class I and Class II shares		$ 112.7	$ 100.7
Non-cash items included in earnings			
Depreciation and amortization		253.5	241.0
Future income taxes		11.9	35.8
Non-controlling interests		126.1	111.2
Other - net		15.2	5.1
Cash flow from operations		519.4	493.8
Changes in non-cash working capital	12	(146.8)	(35.1)
		372.6	458.7
Investing activities			
Capital expenditures - net		(493.5)	(398.6)
Contributions by utility customers for extensions to plant		41.2	45.3
Non-current deferred electricity costs		(86.0)	(3.5)
Changes in non-cash working capital	12	68.5	(14.7)
Other		(9.3)	(28.5)
		(479.1)	(400.0)
Financing activities			
Change in notes payable		116.4	(105.8)
Issue of long term debt		238.1	372.4
Issue of non-recourse long term debt		11.7	64.2
Repayment of long term debt		(75.8)	(130.9)
Repayment of non-recourse long term debt		(23.1)	(50.0)
Security deposits for debt		-	2.5
Redemption of preferred shares by subsidiary		(34.1)	(96.3)
Purchase of Class A shares by subsidiary		(1.7)	(0.6)
Purchase of Class I shares		(2.4)	(10.8)
Dividends paid to Class I and Class II shareholders		(27.3)	(23.9)
Dividends paid to non-controlling interests		(71.6)	(67.3)
Changes in non-cash working capital	12	(15.3)	(1.4)
Other		(10.9)	(3.3)
		104.0	(51.2)
Foreign currency translation		(2.9)	(5.5)
Cash position (1)			
Increase (decrease)		(5.4)	2.0
Beginning of year		183.5	181.5
End of year		$ 178.1	$ 183.5

(1) Cash position includes cash and short term investments less current bank indebtedness.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2000
(Tabular amounts in millions of Canadian Dollars)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The consolidated financial statements include the accounts of ATCO Ltd. and its subsidiaries, including a proportionate share of joint venture investments ("ATCO"). Principal subsidiaries are ATCO Structures (100% owned) and its subsidiaries, ATCO Noise Management (100% owned), ATCO Resources (100% owned) and Canadian Utilities Limited (51.911% owned) and its subsidiaries ("Canadian Utilities"), which mainly comprise the utilities, power generation, and logistics and energy services business groups.

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

Regulation

ATCO Electric, ATCO Gas and ATCO Pipelines ("regulated operations") are regulated primarily by the Alberta Energy and Utilities Board ("AEUB"), which administers acts and regulations covering such matters as rates, financing, accounting, construction, operation and service area. The AEUB may award interim rates, subject to final determination.

Revenue Recognition

Revenues are recognized on the accrual basis and include an estimate of services provided but not yet billed.

Revenues resulting from the supply of contracted products and services are recorded by the percentage of completion method. Full provision is made for any anticipated loss.

Natural Gas Supply

Natural gas supply expense is based on the forecast cost of natural gas included in customer rates. Variances from forecast costs are deferred until such time as approval from the AEUB is obtained for refund to or collection from customers through revised rates and natural gas supply expense is adjusted accordingly.

Purchased Power

Purchased power expense is based on the actual cost of electricity purchased. The amount included in customer rates for purchased power is based on forecast, with most variances from forecast recorded as deferred electricity costs. These costs remain deferred until such time as approval from the AEUB is obtained for refund to or collection from customers

Income Taxes

The regulated operations follow the method of accounting for income taxes that is consistent with the method of determining the income tax component of their rates. When future income taxes are not provided in the income tax component of current rates, such future income taxes are not recognized to the extent that it is expected that they will be recovered from customers through inclusion in future rates.

Other subsidiaries follow the liability method of accounting for income taxes. Under this method future tax liabilities and assets are recognized for the estimated tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Future tax liabilities and assets are measured using enacted and substantively enacted tax rates. The effect on future tax liabilities and assets of a change in tax rates is recognized in income in the period that the change occurs.

Inventories

Inventories are valued at the lower of average cost or net realizable value.

Property, Plant and Equipment

The regulated operations include in capital expenditures an allowance for funds used during construction at rates approved by the AEUB for debt and equity capital. Capital expenditures in the other subsidiaries include capitalized interest incurred during construction.

Certain regulated additions are made with the assistance of non-refundable cash contributions from customers when the estimated revenue is less than the cost of providing service or where special equipment is needed to supply the customers' specific requirements. These contributions are amortized on the same basis as, and offset the depreciation charge of, the assets to which they relate. Property, plant and equipment is disclosed net of unamortized contributions.

Depreciation is provided on assets on a straight-line basis over their estimated useful lives. Depreciation rates for regulated assets are approved by the AEUB. For certain assets these approved depreciation rates include a provision for future removal costs and site restoration costs. On retirement of depreciable regulated assets, the accumulated depreciation is charged with the cost of the retired unit, net disposal costs and site restoration costs.

Goodwill

Goodwill is recorded at cost and amortized on a straight-line basis generally over 40 years. The carrying value of goodwill is reviewed for impairment by estimating future cash flow from related operations over the remaining amortization period.

Deferred Financing Charges

Issue costs of long term debt are amortized over the term of the debt and issue costs of preferred shares are amortized over the expected life of the issue. Premiums paid and unamortized issue costs of redeemed long term debt and preferred shares of utility subsidiaries are amortized over the life of the issue funding the redemption.

Notes Payable

Under bank loan agreements that are renewed on a continuing basis, ATCO may issue commercial paper or borrow directly from the bank. These borrowings allow ATCO to manage the amount and timing of long term debt, preferred share and equity issues and are classified as long term.

Long Term Debt Due Within One Year

When ATCO intends to refinance long term debt due within one year on a long term basis and there is a written undertaking from an underwriter to act on ATCO's behalf with respect thereto, or sufficient capacity under long term bank loan agreements to issue commercial paper or assume bank loans, then long term debt due within one year is classified as long term.

Hedging

In conducting its business, ATCO uses various instruments, including forward contracts, swaps and options, to manage the risks arising from fluctuations in exchange rates, interest rates and commodity prices. All such instruments are used only to manage risk and not for trading purposes.

Gains and losses are recognized in income in the same period and in the same financial statement category as the income or expense from the hedged position.

Employee Future Benefits

Effective January 1, 2000, ATCO prospectively adopted the recommendations of the Canadian Institute of Chartered Accountants on accounting for employee future benefits. This accounting change had the effect of decreasing 2000 earnings by $1.8 million.

ATCO accrues for its obligations under defined benefit pension and other post employment benefit plans. Costs of these benefits are determined using the projected benefits method prorated on service and reflects management's best estimates of investment returns, wage and salary increases, age at retirement and expected health care costs. In prior years, the cost of other post-employment benefits was expensed as paid. Pension plan assets are reported at market value and expected return on plan assets is calculated based on market values. Experience gains and losses in excess of 10% of the greater of the accrued benefit obligations or the market value of plan assets, adjustments resulting from plan amendments, changes in assumptions and the net transitional liability or asset arising upon adoption of this new accounting standard are amortized over the estimated average remaining service life of employees.

Employer contributions to the defined contribution pension plans are expensed as paid.

Stock-Based Compensation Plans

ATCO Ltd. has a stock option plan and a share appreciation rights plan, and participates in the share appreciation rights plan of a subsidiary corporation, Canadian Utilities Limited, all of which are described in Note 11. No compensation expense is recognized when stock options or share appreciation rights are granted. Any consideration paid by holders of the stock options is credited to share capital. If stock options are repurchased, the consideration paid to the holders of the options is charged to retained earnings. Compensation expense for the share appreciation rights plans is accrued monthly to the date of vesting on the basis of the difference between the greater of the market price of the ATCO Ltd. Class I Non-Voting shares and the Canadian Utilities Limited Class A non-voting shares or the 12 month average market price thereof over the base value of the rights.

2. INTEREST AND OTHER INCOME

	2000	1999
Allowance for funds used by regulated operations	$ 4.4	$ 4.4
Interest	28.1	21.5
Other	4.0	6.2
	$ 36.5	$ 32.1

3. INCOME TAXES

The income tax provision differs from that computed using the statutory tax rates for the following reasons:

	2000		1999	
Earnings before income taxes and non-controlling interests	$ 431.9	%	$ 392.7	%
Income taxes, at statutory rates	$ 192.7	44.6	$ 175.0	44.6
Dividends on preferred shares	8.0	1.8	10.4	2.6
Allowance for funds used by regulated operations	(1.0)	(0.2)	(1.0)	(0.3)
Depreciation of capitalized allowance for funds used by regulated operations	3.7	1.0	3.7	1.0
Crown royalties and other non-deductible Crown payments	8.2	1.9	4.2	1.1
Earned depletion and resource allowance	(12.7)	(2.9)	(6.3)	(1.6)
Large Corporations Tax	7.3	1.6	6.1	1.5
Manufacturing and processing tax credit	(3.9)	(0.9)	(1.1)	(0.3)
Foreign tax rate variance	(3.8)	(0.9)	(5.9)	(1.5)
Non-deductible interest on foreign financing	1.7	0.4	1.8	0.5
Change in future income taxes resulting from reduction in tax rates	(1.4)	(0.3)	(1.9)	(0.5)
Unrecorded future income taxes	(11.6)	(2.8)	(2.6)	(0.7)
Recovery of prior years' income taxes	–	–	(3.6)	(0.9)
Other	5.9	1.4	2.0	0.5
	193.1	44.7	180.8	46.0
Current income taxes	128.5		146.6	
Future income taxes	$ 64.6		$ 34.2	
The future income tax liabilities comprise the following:				
Property, plant and equipment	$ 185.6		$ 170.8	
Deferred costs	63.8		12.7	
Reserves	(14.8)		(9.3)	
Tax loss carryforwards	(3.7)		(8.5)	
Other	(1.8)		1.9	
	229.1		167.6	
Less: Amounts included in current future income taxes payable	55.2		2.5	
	$ 173.9		$ 165.1	

Unrecorded future income taxes of the regulated operations increased by $11.6 million to $192.8 million at December 31, 2000. The balance includes $62.1 million in respect of ATCO Electric's Alberta power generation facilities. Effective January 1, 2001, these facilities were deregulated through a system of power purchase arrangements approved by the AEUB. The unrecorded future taxes of $62.1 million will be recovered through future payments received in respect of the power purchase arrangements.

Expected future recoveries relating to tax loss carryforwards have been recorded in the amount of $3.7 million, of which $0.1 million expires beginning in 2008 and $3.6 million does not expire. In addition, a foreign subsidiary has tax loss carryforwards of $12.6 million for which no tax benefit has been recorded. These losses begin to expire in 2001.

Income taxes paid amounted to $149.9 million (1999 - $143.4 million).

4. NON-CONTROLLING INTERESTS

	2000	1999
Non-controlling interests in Canadian Utilities:		
Non-retractable		
Cumulative Redeemable Second Preferred Shares, at 5.3% to 6.6%	$ 126.5	$ 110.6
Perpetual Cumulative Second Preferred Shares, at 4.55% to 4.66%	210.0	210.0
Class A non-voting and Class B common shares	737.5	686.0
	$ 1,074.0	$ 1,006.6
Non-controlling interests in the earnings of Canadian Utilities:		
Non-retractable preferred share dividends	$ 16.8	$ 14.9
Earnings attributable to Class A non-voting and Class B common shares	109.3	96.3
	$ 126.1	$ 111.2

5. DIRECT CHARGES TO RETAINED EARNINGS

	2000	1999
Class I shares purchased	$ 2.2	$ 9.7
Stock options settled (after income taxes)	1.3	0.3
Stock options settled by a subsidiary (after income taxes and non-controlling interests)	1.2	0.1
	$ 4.7	$ 10.1

6. PROPERTY, PLANT AND EQUIPMENT

	2000			1999	
	Composite Depreciation Rates	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Utilities	3.7%	$ 3,721.1	$ 1,365.8	$ 3,546.8	$ 1,261.0
Power generation	3.3%	2,169.6	645.9	2,044.6	611.5
Logistics and energy services	4.0%	903.8	288.3	822.3	256.4
Industrials	9.7%	114.1	37.1	101.3	30.2
Other	15.5%	63.6	22.4	55.5	14.6
		$ 6,972.2	2,359.5	$ 6,570.5	2,173.7
Property, plant and equipment, less accumulated depreciation			4,612.7		4,396.8
Unamortized contributions by customers for extensions to regulated plant			444.5		420.2
			$ 4,168.2	$ 3,976.6	

Accumulated depreciation includes amounts provided for future removal and site restoration costs, net of salvage value, of $212.7 million (1999 - $187.3 million).

Composite depreciation rates reflect total depreciation in the year as a percentage of mid-year cost, excluding construction work-in-progress of $198.3 million (1999 - $171.7 million) and non-depreciable assets of $57.8 million (1999 - $45.3 million).

7. OTHER ASSETS

	2000	1999
Deferred pension asset (Note 14)	$ 26.4	$ 28.1
Costs deferred for recovery through future regulated rates	40.0	40.0
Deferred financing charges	12.7	11.4
Other	20.5	20.6
	$ 99.6	$ 100.1

8. LONG TERM DEBT

	2000	1999
Canadian Utilities		
Debentures, unsecured – at fixed rates of 5.42% to 12% (weighted average interest rate of 8.97%), due at various dates to 2023	**$ 1,743.0**	$ 1,593.0
Term credit facility, at fixed rates of 5.567% to 5.79%, due March 2003	**30.7**	34.6
Term credit facilities, at Bankers' Acceptance rates, due to 2003	**64.3**	73.3
Term credit facility, at Bank Bill rates plus 0.45%, due March 2001, payable in Australian dollars	**17.1**	4.7
Other long term obligations, at rates of 7.50% to 8.87%	**10.4**	10.6
ATCO Investments Ltd.		
Term loan on ATCO Centre II, at prime, due March 2005 secured by the building	**9.7**	11.5
ATCO Structures Inc.		
Revolving loan, at Bankers Acceptance rates plus 0.75%, due July, 2004 secured by property, plant and equipment	**16.0**	-
ATCO Structures Pty Ltd		
Term loan, at fixed rate of 5.8%, due December 2003, payable in Australian dollars	**6.2**	9.3
Term loan, at fixed rate of 6.95%, due September 2004, payable in Australian dollars	**3.1**	4.5
	1,900.5	1,741.5
Less: Amounts due within one year	**3.3**	3.4
	$ 1,897.2	$ 1,738.1
Non-recourse (secured only by specific project assets)		
Canadian Utilities		
Barking Power Limited project financing, due to 2010, payable in British pounds:		
At fixed rates averaging 7.95%	**$ 98.6**	$ 108.7
At London Interbank Offered Rate plus 0.5089%	**161.8**	178.3
Osborne Cogeneration Pty Ltd. project financing, at 9.795%, due to 2013, payable in Australian dollars	**52.0**	64.0
McMahon cogeneration plant term facility, at 9.135%, due to 2004	**13.6**	17.5
ATCO Resources Ltd. (20%) and Canadian Utilities (80%)		
Joffre cogeneration project financing:		
At Bankers' Acceptance rates plus 1.25%, due to 2012	**15.8**	11.3
At London Interbank Offered Rate plus 1.25%, due to 2012	**20.1**	12.9
At fixed rate of 8.59%, due to 2020	**40.0**	40.0
	401.9	432.7
Less: Amounts due within one year	**27.4**	24.6
	$ 374.5	$ 408.1

The interest rates disclosed for certain of the non-recourse debt obligations reflect the effect of interest rate swap agreements.

The minimum annual debt repayments for each of the next five years are as follows:

	Long Term Debt	Non-Recourse Long Term Debt	Total
2001	$ 27.6	$ 27.4	$ 55.0
2002	74.5	28.3	102.8
2003	158.3	29.9	188.2
2004	117.0	27.8	144.8
2005	133.1	33.5	166.6
	$ 510.5	$ 146.9	$ 657.4

Of the $55.0 million due in 2001, $24.3 million is to be refinanced and is, therefore, excluded from long term debt due within one year in the balance sheet.

Interest on debt is as follows:

	2000	1999
Long term debt	$ 169.5	$ 145.9
Non-recourse long term debt	27.3	30.8
Notes payable	4.1	6.3
Current bank indebtedness	5.7	4.3
Amortization of financing charges	2.7	3.1
Less: Capitalized on non-regulated projects	(9.4)	(5.0)
	$ 199.9	$ 185.4

Interest paid amounted to $207.1 million (1999 - $176.2 million).

Fair values

Fair values for the above debt, determined using quoted market prices for the same or similar issues, are shown below. Where market prices are not available, fair values are estimated using discounted cash flow analysis based on ATCO's current borrowing rate for similar borrowing arrangements.

	2000	1999
Long term debt		
Fixed rate	$ 2,054.0	$ 1,874.4
Floating rate	107.1	89.5
	$ 2,161.1	$ 1,963.9
Non-recourse long term debt		
Fixed rate	$ 257.1	$ 239.9
Floating rate	161.8	204.4
	$ 418.9	$ 444.3

9. NOTES PAYABLE AND CREDIT LINES

At December 31, 2000, ATCO notes payable includes outstanding commercial paper of $197.1 million (1999 - $80.7 million), at interest rates of 5.92% maturing January 2001.

ATCO has credit lines totaling $989.2 million, of which $427.8 million are available on a long term committed basis by the lenders, $314.5 million on a short term committed basis and $246.9 million on an uncommitted basis. These credit lines enable ATCO to obtain financing for general business purposes. At December 31, 2000, $292.4 million of long term committed credit lines, $304.4 million of short term committed credit lines and $125.5 million of uncommitted credit lines were still available.

10. PREFERRED SHARES

	Redemption Dates	2000 Shares	2000 Amount	1999 Shares	1999 Amount
CanUtilities Holdings Ltd.					
Authorized and Issued:					
Cumulative Redeemable Preferred Shares					
Series A	July 1, 2001	**6,000,000**	**$ 150.0**	6,000,000	$ 150.0
Series B	July 1, 2001	**3,000,000**	**75.0**	3,000,000	75.0
Series C	July 1, 2001	**3,000,000**	**75.0**	3,000,000	75.0
			300.0		300.0
Canadian Utilities Limited					
Authorized:					
An unlimited number of Series Second Preferred Shares, issuable in series					
Issued:					
Cumulative Redeemable Second Preferred Shares					
Retractable on redemption date					
6.6% Series S	-	-	-	2,000,000	50.0
			-		50.0
			$ 300.0		$ 350.0

CanUtilities Holdings Ltd.

The Series A preferred shares bear a fixed dividend rate of $1.7250 per share per annum. The Series B and Series C preferred shares bear a floating dividend rate determined by monthly auctions.

The average dividend rate on the preferred shares for the year ended December 31, 2000 was $1.4418 (1999 - $1.3949) per share per annum.

CanUtilities Holdings Ltd. will be required to redeem the preferred shares on July 1, 2001 at $25.00 per share plus accrued and unpaid preferential dividends. It is not permitted to redeem the preferred shares prior to July 1, 2001.

Canadian Utilities Limited

On March 1, 2000, 1,364,300 of Cumulative Redeemable Second Preferred Shares Series S were retracted at a price of $25.00 per share plus accrued dividends. Effective March 1, 2000, the retraction option expired and the remaining 635,700 Series S shares are now redeemable only at the option of Canadian Utilities Limited and, therefore, have been recorded as non-controlling interests (see Note 4).

Fair values

Fair values for preferred shares, determined using quoted market prices for the same or similar issues, are $301.8 million (1999 - $351.8 million).

11. CLASS I AND CLASS II SHARES

	Class I Non-Voting		Class II Common		Total	
	Shares	Consideration	Shares	Consideration	Shares	Consideration
Authorized:	100,000,000		50,000,000		150,000,000	
Issued and Outstanding:						
December 31, 1998	26,379,360	$ 134.8	3,668,472	$ 1.9	30,047,832	$ 136.7
Stock options exercised	23,000	0.4	-	-	23,000	0.4
Purchased	(279,200)	(1.5)	-	-	(279,200)	(1.5)
Converted: Class II to Class I	1,000	0.1	(1,000)	(0.1)	-	-
December 31, 1999	26,124,160	133.8	3,667,472	1.8	29,791,632	135.6
Stock options exercised	10,350	0.2	-	-	10,350	0.2
Purchased	(80,000)	(0.4)	-	-	(80,000)	(0.4)
December 31, 2000	**26,054,510**	**$ 133.6**	**3,667,472**	**$ 1.8**	**29,721,982**	**$ 135.4**

Shareholder rights

Each Class II Voting share may be converted to one Class I Non-Voting share at the shareholder's option. In the event an offer to purchase Class II Voting shares is made to all holders of Class II Voting shares, and is accepted and taken up by the holders of a majority of such shares pursuant to such offer, then provided an offer is not made to the holders of Class I Non-Voting shares on the same terms and conditions, the Class I Non-Voting shares shall be entitled to the same voting rights as the Class II Voting shares. The two classes of shares rank equally in all other respects.

Normal course issuer bid

On May 25, 2000, ATCO Ltd. commenced a Normal Course Issuer Bid for the purchase of up to 5% of the outstanding Class I Non-Voting shares. The offer will expire on May 24, 2001.

Stock option plan

ATCO Ltd. has a stock option plan under which 2,550,000 Class I Non-Voting shares are reserved for issuance in respect of options. Options may be granted to directors, officers and key employees of ATCO Ltd. and its subsidiaries at an exercise price equal to the weighted average of the trading price of the shares on The Toronto Stock Exchange for the five trading days immediately preceding the date of grant. The vesting provisions and exercise period (which cannot exceed 10 years) are determined at the time of grant.

Changes in shares under option are summarized below:

	2000		1999	
	Class I Shares	**Weighted-Average Exercise Price**	Class I Shares	Weighted-Average Exercise Price
Options at beginning of year	**1,292,450**	**$ 26.98**	912,450	$ 21.34
Granted	**135,000**	**37.25**	423,000	38.26
Exercised	**(10,350)**	**21.72**	(23,000)	17.71
Settled	**(91,150)**	**17.47**	(20,000)	18.69
Options at end of year	**1,325,950**	**$ 28.72**	1,292,450	$ 26.98

Information about stock options outstanding at December 31, 2000 is summarized below:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Class I Shares	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Class I Shares	Weighted-Average Exercise Price
$ 14.03 to $ 23.70	629,700	5.0	$ 18.78	491,650	$ 17.84
$ 34.53 to $ 37.99	233,000	8.2	$ 36.45	35,300	$ 36.86
$ 38.18 to $ 40.11	463,250	9.0	$ 38.36	138,550	$ 38.32
$ 14.03 to $ 40.11	1,325,950	7.0	$ 28.72	665,500	$ 23.11

Share appreciation rights plans

Directors, officers and key employees of ATCO may be granted share appreciation rights under the share appreciation rights plans of ATCO Ltd. and its subsidiary corporation, Canadian Utilities Limited. The vesting provisions and exercise period (which cannot exceed 10 years) are determined at the time of grant. The base value of the share appreciation rights is equal to the weighted average of the trading price of the Class I Non-Voting shares and the Class A non-voting shares, respectively, on The Toronto Stock Exchange for the five trading days immediately preceding the date of grant. The holder is entitled on exercise to receive a cash payment equal to any increase in the market price of the Class I Non-Voting shares and the Class A non-voting shares, respectively, over the base value of the share appreciation rights exercised. Share appreciation rights expense amounted to $9.6 million (1999 - $2.9 million).

12. CHANGES IN NON-CASH WORKING CAPITAL

	2000	1999
Operating activities		
Increase in accounts receivable	**$ (284.9)**	$ (3.6)
Increase in inventories	**(19.0)**	(14.9)
Increase in income taxes recoverable	**(15.1)**	-
Decrease (increase) in deferred natural gas costs	**(129.4)**	0.3
Increase in deferred electricity costs	**(71.7)**	(16.1)
Decrease (increase) in prepaid expenses	**(3.9)**	5.9
Increase (decrease) in accounts payable and accrued liabilities	**342.7**	(6.3)
Increase (decrease) in income taxes payable	**(18.2)**	1.0
Increase (decrease) in future income taxes	**52.7**	(1.4)
	$ (146.8)	$ (35.1)
Investing activities		
Decrease (increase) in inventories	**$ 0.9**	$ (2.9)
Increase (decrease) in accounts payable and accrued liabilities	**67.6**	(11.8)
	$ 68.5	$ (14.7)
Financing activities		
Decrease (increase) in accounts receivable	**$ (2.7)**	$ 1.3
Decrease in accounts payable and accrued liabilities	**(12.6)**	(2.7)
	$ (15.3)	$ (1.4)

13. JOINT VENTURES

ATCO's interest in joint ventures is summarized below:

	2000	1999
Statement of earnings		
Revenues	$ 305.2	$ 265.4
Operating expenses	191.7	164.4
Depreciation	20.6	25.3
Interest	29.7	31.9
	63.2	43.8
Interest and other income	5.6	7.2
Earnings from joint ventures before income taxes	$ 68.8	$ 51.0
Balance sheet		
Current assets	$ 127.6	$ 95.4
Current liabilities	(97.0)	(73.9)
Property, plant and equipment	609.0	588.2
Deferred items, net	(75.5)	(69.3)
Long term debt	(14.0)	(14.4)
Non-recourse long term debt (secured only by joint venture assets)	(375.1)	(408.2)
Investment in joint ventures	$ 175.0	$ 117.8
Statement of cash flows		
Operating activities	$ 71.0	$ 73.6
Investing activities	(57.8)	(68.7)
Financing activities	(10.5)	10.0
Foreign currency translation	(2.1)	(3.4)
Increase in cash position	$ 0.6	$ 11.5

Current assets include cash of $51.7 million (1999 - $49.6 million) which is only available for use within the joint ventures.

14. EMPLOYEE FUTURE BENEFITS

ATCO maintains defined benefit and defined contribution pension plans for most of its employees and provides other post employment benefits, principally health, dental and life insurance, for retirees and their dependants. The defined benefit pension plans, which provide for pensions based on length of service and final average earnings, are for the most part contributory, with the balance of funding the responsibility of ATCO on the advice of independent actuaries. Plan assets are comprised of Canadian and foreign equities, fixed income and other marketable securities and real estate. As of 1997, new employees of Canadian Utilities automatically participate in the defined contribution pension plans and employees participating in the Canadian Utilities defined benefit pension plans may transfer to the defined contribution pension plans at any time.

Information about ATCO's defined benefit plans, in aggregate, is as follows:

	Pension Benefit Plans	Other Post Employment Benefit Plans
Market value of plan assets		
Beginning of year	$ 1,318.2	$ -
Actual return on plan assets	142.8	-
Employee contributions	5.8	-
Benefit payments	(34.2)	-
Payments to defined contribution plans	(1.6)	-
End of year	$ 1,431.0	$ -
Accrued benefit obligations		
Beginning of year	$ 832.1	$ 37.5
Current service cost	18.4	1.2
Interest cost	58.6	2.7
Employee contributions	5.8	-
Benefit payments	(35.5)	(1.3)
Experience losses (gains)	(10.5)	1.5
End of year	$ 868.9	$ 41.6
Funded status		
Excess (deficiency) of assets over obligations	$ 562.1	$ (41.6)
Amounts not yet recognized in financial statements:		
Unrecognized net experience losses (gains)	(75.3)	1.5
Unrecognized net transitional liability (asset)	(427.2)	35.1
Unrecognized defined benefit plans income (1)	(33.2)	-
Deferred pension asset (deferred credits) recognized in the consolidated balance sheet	$ 26.4	$ (5.0)
Weighted average assumptions at December 31		
Expected rate of return on plan assets	7.0%	-
Liability discount rate	7.1%	7.1%
Average compensation increase	3.0%	-

The assumed annual health care cost rate increases used in measuring the accumulated post employment benefit obligation in 2000 and thereafter were 4.5% for drug costs and 4.0% for other medical and dental costs.

Included in the accrued benefit obligations are certain supplementary defined benefit pension plans which are paid by ATCO out of general revenues. These supplementary plans had accrued benefit obligations of $48.7 million at December 31, 2000.

Plan assets include Class I Non-Voting shares of ATCO Ltd., having a market value of $9.4 million at December 31, 2000 (1999 - $8.0 million) and long term debt and Class A non-voting and Class B common shares of Canadian Utilities Limited having a market value of $13.4 million at December 31, 2000 (1999 - $11.0 million).

	Pension Benefit Plans	Other Post Employment Benefit Plans
Components of benefit plan expense (income)		
Current service cost	$ 18.4	$ 1.2
Interest cost	58.6	2.7
Expected return on plan assets	(78.1)	-
Amortization of net transitional liability (asset)	(33.2)	2.4
Defined benefit plans expense (income)	(34.3)	6.3
Defined contribution plans expense	3.0	-
Total expense (income)	(31.3)	6.3
Less: Unrecognized defined benefit plans income (1)	33.2	-
Less: Capitalized	(0.5)	(1.3)
Net expense	$ 1.4	$ 5.0

In 1999, net income of $4.9 million was recorded for pension benefit plans and net expense of $1.3 million was recorded for other post employment benefit plans.

(1) Unrecognized defined benefit plans income records the effect of the proposed accounting for employee future benefits to be used in the determination of revenue requirements as filed on November 15, 2000 with the AEUB. ATCO does not expect a decision from the AUEB until late 2001.

15. COMMITMENTS AND CONTINGENCIES

ATCO has contractual obligations in the normal course of business and in respect of long term operating leases for manufacturing facilities, office premises and equipment. The rentals amounted to $14.0 million for the year (1999 - $14.4 million). Future minimum lease payments are as follows:

2001	2002	2003	2004	2005	Total of All Subsequent Years
$ 13.6	$ 12.5	$ 10.9	$ 5.2	$ 4.6	$ 20.8

ATCO is party to a number of disputes and lawsuits in the ordinary course of business. Management is confident that the ultimate liability arising from these matters will have no material impact on the consolidated financial statements.

16. SEGMENTED INFORMATION

ATCO operates in the following business segments:

Utilities (ATCO Electric – transmission and distribution, Northland Utilities, Yukon Electrical, ATCO Gas) provides electricity transmission and distribution to industrial, commercial and residential customers in north central Alberta and parts of the Yukon and the Northwest Territories and natural gas distribution to industrial, residential and commercial customers in Alberta;

Power Generation (ATCO Power, ATCO Electric – Alberta power generation, ATCO Resources) develops, owns, manages and operates electric power projects in Canada, Great Britain and Australia;

Logistics and Energy Services (ATCO Pipelines, ATCO Midstream, ATCO Frontec) provides natural gas transmission to industrial and commercial customers in Alberta, natural gas gathering, processing, storage and hub services in Alberta and project management and technical services, operation and maintenance, technology transfer and training services to the defence, transportation and industrial sectors.

Industrials (ATCO Structures, ATCO Noise Management, ASHCOR Technologies, Genics), with operations in Canada, Chile, Hungary, Australia and the United States, manufactures, sells and leases modular buildings, provides complete noise reduction services for industrial facilities, sells fly ash and produces and sells environmentally friendly wood treatment and maintenance products.

Other businesses: Technologies (ATCO Singlepoint, ATCO I-Tek) provides billing and call centre services for utilities, municipalities and other organizations and builds, operates and supports the information systems and technologies used within the ATCO Group of companies; ATCO Investments owns commercial real estate in Calgary.

Business segments

2000 / 1999	**Utilities**	**Power Generation**	**Logistics & Energy Services**	**Industrials**	**Other Businesses**	**Corporate**	**Intersegment Eliminations**	**Consolidated**
Revenues – external	**$ 1,988.5**	**$ 457.4**	**$ 494.0**	**$ 131.7**	**$ 3.7**	**$ 0.7**	**$ -**	**$ 3,076.0**
	$ 1,527.1	$ 331.4	$ 348.1	$ 164.0	$ 3.5	$ 0.7	$ -	$ 2,374.8
Revenues – intersegment[1]	**72.4**	**269.8**	**427.3**	**0.3**	**87.4**	**15.3**	**(872.5)**	**-**
	43.7	236.2	207.4	0.2	74.2	13.4	(575.1)	-
Revenues	**2,060.9**	**727.2**	**921.3**	**132.0**	**91.1**	**16.0**	**(872.5)**	**3,076.0**
	1,570.8	567.6	555.5	164.2	77.7	14.1	(575.1)	2,374.8
Operating expenses	**1,702.9**	**400.8**	**777.1**	**111.7**	**70.4**	**23.2**	**(876.8)**	**2,209.3**
	1,184.4	313.4	426.2	136.1	63.5	16.8	(575.9)	1,564.5
Depreciation and amortization	**128.4**	**66.6**	**35.6**	**10.3**	**8.5**	**0.5**	**3.6**	**253.5**
	121.6	69.3	32.1	7.0	7.0	0.5	3.5	241.0
Interest	**103.0**	**71.5**	**27.7**	**2.1**	**1.6**	**157.4**	**(163.4)**	**199.9**
	90.1	72.6	23.1	1.8	0.8	144.9	(147.9)	185.4
Dividends on preferred shares	**0.4**	**0.1**	**0.1**	**-**	**-**	**17.3**	**-**	**17.9**
	4.0	1.6	1.0	-	-	16.7	-	23.3
Interest and other income	**(11.0)**	**(7.8)**	**(5.2)**	**(1.5)**	**(0.4)**	**(174.0)**	**163.4**	**(36.5)**
	(6.6)	(15.8)	(3.5)	(2.8)	4.4	(155.7)	147.9	(32.1)
Earnings before income taxes and non-controlling interests	**137.2**	**196.0**	**86.0**	**9.4**	**11.0**	**(8.4)**	**0.7**	**431.9**
	177.3	126.5	76.6	22.1	2.0	(9.1)	(2.7)	392.7
Income taxes	**52.1**	**87.7**	**37.6**	**3.8**	**5.3**	**4.6**	**2.0**	**193.1**
	78.2	55.8	34.6	9.0	1.6	1.1	0.5	180.8
Net earnings	**85.1**	**108.3**	**48.4**	**5.6**	**5.7**	**(13.0)**	**(1.3)**	**238.8**
	99.1	70.7	42.0	13.1	0.4	(10.2)	(3.2)	211.9
Non-controlling interests	**45.0**	**50.0**	**24.1**	**0.4**	**2.7**	**2.7**	**1.2**	**126.1**
	51.2	35.4	20.9	0.1	1.6	1.7	0.3	111.2
Earnings attributable to Class I and Class II shares	**$ 40.1**	**$ 58.3**	**$ 24.3**	**$ 5.2**	**$ 3.0**	**$ (15.7)**	**$ (2.5)**	**$ 112.7**
	$ 47.9	$ 35.3	$ 21.1	$ 13.0	$ (1.2)	$ (11.9)	$ (3.5)	$ 100.7
Total assets	**$ 2,885.4**	**$ 1,836.9**	**$ 749.0**	**$ 120.7**	**$ 45.7**	**$ 167.3**	**$ 10.6**	**$ 5,815.6**
	$ 2,276.9	$ 1,639.2	$ 651.8	$ 124.5	$ 44.4	$ 162.1	$ 36.0	$ 4,934.9
Capital expenditures	**$ 202.1**	**$ 182.9**	**$ 84.2**	**$ 24.0**	**$ 9.0**	**$ 0.3**	**$ -**	**$ 502.5**
	$ 188.1	$ 135.4	$ 50.6	$ 32.2	$ 20.3	$ 0.1	$ (11.7)	$ 415.0

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

Geographic segments

	Domestic		Foreign		Consolidated	
	2000	1999	**2000**	1999	**2000**	1999
Revenues	**$ 2,794.0**	$ 2,075.8	**$ 282.0**	$ 299.0	**$ 3,076.0**	$ 2,374.8
Property, plant and equipment and Goodwill	**$ 3,833.4**	$ 3,628.5	**$ 409.9**	$ 426.8	**$ 4,243.3**	$ 4,055.3

17. REGULATORY MATTERS

On March 2, 2000 the AEUB issued a decision on the Canadian Utilities' application for the 1997 return on common equity and capital structure and the general rate application ("GRA") for 1998. As a result of the decision customer rate refunds of $22.2 million were paid in 2000. The impact of the decision was to reduce earnings attributable to Class I and Class II shares by $6.8 million, of which $4.7 million was provided for in 1999. As a result of this decision, customer rates were also reduced by approximately 8% on September 1, 2000.

On December 21, 2000 the AEUB approved the withdrawal of Canadian Utilities' 1999 GRA and determined that a 2000 GRA is not required. In addition, the AEUB ordered Canadian Utilities to refund $23.7 million to customers for the period of January 1, 1999 to August 31, 2000. The refund reflects reduced customer rates as a result of the March 2, 2000 AEUB order, and reduced earnings attributable to Class I and Class II shares by $7.0 million in 2000 of which $4.2 million relates to 1999.

Differences between the actual and forecast costs of purchased electricity, aggregating $173.8 million at December 31, 2000, have been deferred for future recovery from customers, of which $87.8 million, subject to AEUB approval, will be collected in 2001. The Government of Alberta has issued regulations dealing with the timing of the recovery of the balance. Subject to AEUB approval, $86.0 million will be recovered over the period from January 1, 2002 to December 31, 2004.

On December 22, 2000, Canadian Utilities conditionally agreed to sell its Viking-Kinsella natural gas property for $490.0 million, before closing adjustments. On January 10, 2001 and February 1, 2001, Canadian Utilities reached conditional agreements to sell its interest in several non-operated natural gas properties for $52.4 million, before closing adjustments. Applications to the AEUB have been submitted requesting approval of these sales and the disposition of proceeds between customers and Canadian Utilities.

18. SUBSEQUENT EVENTS

On February 28, 2001, the AEUB approved gas cost recovery rates which are expected to result in the full recovery, during 2001, of the deferred natural gas costs of $135.1 million at December 31, 2000.

Consolidated Five-Year Operating Summary

(Dollars in millions except as indicated)		2000	1999	1998	1997	1996
Revenues		**3,076.0**	2,374.8	2,077.5	2,045.1	1,934.1
Costs and expenses		**2,680.6**	2,014.2	1,733.8	1,719.8	1,615.8
		395.4	360.6	343.7	325.3	318.3
Interest and other income		**36.5**	32.1	34.5	29.4	22.7
Earnings before income taxes and non-controlling interests		**431.9**	392.7	378.2	354.7	341.0
Income taxes		**193.1**	180.8	187.3	173.2	175.9
Net earnings		**238.8**	211.9	190.9	181.5	165.1
Non-controlling interests		**126.1**	111.2	102.0	100.3	91.8
Earnings from						
Continuing operations		**112.7**	100.7	88.9	81.2	73.3
Discontinued operations		-	-	-	-	6.8
Earnings attributable to Class I and Class II shares		**112.7**	100.7	88.9	81.2	80.1
Earnings per Class I and Class II share ($)						
Continuing operations		**3.79**	3.36	2.96	2.68	2.41
Discontinued operations		-	-	-	-	0.22
		3.79	3.36	2.96	2.68	2.63
Dividends paid per Class I and Class II share ($)		**0.92**	0.80	0.68	0.56	0.52
Equity per Class I and Class II share ($)		**27.67**	24.98	22.68	20.42	18.63
Class I and Class II shares outstanding (thousands)		**29,722**	29,792	30,048	30,026	30,475
Market price of shares ($)						
Class I	High	**48.00**	43.75	39.00	34.00	24.00
	Low	**27.50**	32.20	30.00	23.50	17.63
	Close	**46.65**	39.80	39.00	34.00	23.75
Class II	High	**48.00**	43.85	38.00	33.00	24.00
	Low	**28.60**	33.00	30.25	23.50	17.63
	Close	**46.85**	40.00	38.00	33.00	22.50

Corporate Information

ATCO Ltd. PRINCIPAL OPERATIONS

POWER GENERATION

- Alberta Power (2000) Ltd.
- ATCO Power Ltd.
  - ATCO Power Canada Ltd.
    - McMahon Cogeneration Plant
    - Poplar Hill Plant
    - Primrose Cogeneration Plant
    - Rainbow Lake Plant
    - Joffre Cogeneration Project
  - ATCO Power Australia PTY Ltd
    - Osborne Cogeneration Plant
    - Bulwer Island Cogeneration Project
  - ATCO Power Generation Ltd.
    - Thames Power Limited
      - Thames Power Services Limited
      - Barking Power Limited
    - Thames Valley Power Limited
      - Heathrow Project

UTILITIES

- ATCO Electric Ltd.
  - Norven Holdings Inc.
    - Northland Utilities Enterprises Ltd.
      - Northland Utilities (NWT) Limited
      - Northland Utilities (Yellowknife) Limited
  - The Yukon Electrical Company Limited
- ATCO Utility Services Ltd.
- ATCO Gas
- CU Water Limited

LOGISTICS & ENERGY SERVICES

- ATCO Frontec Corp.
  - North Warning System
  - Balkans Project
  - ATCO Frontec PTY Ltd
  - ATCO Frontec Services Ltd.
    - TLI CHO Logistics Inc.
    - Narwhal Arctic Services
    - UQSUQ Corporation
  - ATCO Frontec Services Inc. (U.S.)
    - Alaska Radar System
    - SSPARS
  - ATCO Frontec Logistics Corp.
  - ATCO Airports Ltd.
  - ATCO Travel Ltd.
  - Torngait Services Inc.
  - ATCO Frontec Security Services
  - ATCO Frontec Property Management
  - ATCO Frontec Offshore Inc.
- ATCO Midstream Ltd.
  - Edmonton Ethane Extraction Plant
- ATCO Pipelines

TECHNOLOGIES

- ATCO Singlepoint Ltd.
- ATCO I-Tek

INDUSTRIALS

- ATCO Noise Management Ltd.
- ATCO Structures Inc.
  - ATCO Europe kft.
  - ATCO Structures Pty Ltd
  - ATCO Structures (USA) Inc.
  - Tecno Fast ATCO S.A.
- Ashcor Technologies Ltd.
- Genics Inc.

Directors and Officers

DIRECTORS

W.L. Britton, Q.C. (1) (4)

Partner,
Bennett Jones LLP
Calgary, Alberta

B.P. Collomb

Chairman and Chief Executive Officer,
Lafarge S.A., Paris, France

B.P. Drummond (1) (2) (3)

Corporate Director,
Montreal, Quebec

B.K. French (1) (2) (3) (4)

President,
Korusel Management Ltd., Calgary

H.E. Joudrie

Chairman of the Board
Gulf Canada Resources Limited, Toronto, Ontario

Rt. Hon. D.F. Mazankowski, P.C., O.C., D. Eng., LL.D.

Business Consultant and Corporate Director,
Vegreville, Alberta

H.M. Neldner (2) (3)

Corporate Director,
Westerose, Alberta

N.C. Southern

Co-Chairman and Chief Executive Officer, ATCO Ltd.

R.D. Southern, C.B.E., C.M., LL.D.

Co-Chairman and Chief Executive Officer, ATCO Ltd.

C.O. Twa (3) (4)

President and Chief Operating Officer, ATCO Ltd.

L.C. van Wachem, K.B.E.

Chairman of the Supervisory Board,
Royal Dutch Petroleum Company,
The Hague, The Netherlands

(1) Member of the Corporate Governance-Nomination, Succession and Compensation Committee

(2) Member of the Audit Committee

(3) Member of the Risk Review Committee

(4) Member of the Crisis Management Committee

OFFICERS

R.D. Southern

Co-Chairman of the Board and Chief Executive Officer

N.C. Southern

Co-Chairman of the Board and Chief Executive Officer

C.O. Twa

President and Chief Operating Officer

J.A. Campbell

Senior Vice President, Finance
and Chief Financial Officer

S.R. Werth

Senior Vice President
and Chief Administration Officer

C.R. Armour

Managing Director,
ATCO Group, Australia/Asia/Pacific

D.R. Cawsey

Vice President,
Corporate Secretary

D.T. Davis

Vice President,
Internal Audit

P.J. House

Vice President,
Human Resources

S.W. Kiefer

Vice President, Information Technology
and Chief Information Officer

C.S. McConnell

Treasurer

L.J. Vegh

Vice President,
Insurance

K.M. Watson

Vice President,
Controller

MANAGING DIRECTORS AND PRESIDENTS OF PRINCIPAL OPERATING SUBSIDIARIES

J.E. Barrett

President, ATCO Noise Management Ltd.

G.K. Bauer

Managing Director, Power Generation
President, ATCO Power Ltd.

R.J. Brouwer

President, ATCO Midstream Ltd.

J.R. Frey

Managing Director, Utilities
President, ATCO Electric Ltd.

J.D. Graham

President, ATCO Pipelines

S.W. Kiefer

Managing Director, Technologies
President, ATCO I-Tek

R.L. Lambright

President, ATCO Singlepoint Ltd.

W.A. Kmet

Managing Director, Industrials
President and Chief Executive Officer,
ATCO Structures Inc.

M.M. Shaw

Managing Director,
Logistics and Energy Services
President, ATCO Frontec Corp.

Shareholders' Information

ATCO LTD.

Office of the Chairman & Corporate Office
1500/1600, 909 – 11th Avenue S.W.
Calgary, Alberta T2R 1N6
Tel: (403) 292-7500
Fax: (403) 292-7643

Shareholders and security analyst inquiries should be directed to:

Senior Vice President, Finance and
Chief Financial Officer
ATCO Ltd.
1600, 909 – 11th Avenue S.W.
Calgary, Alberta T2R 1N6
Telephone: (403) 292-7502

Dividend information and other inquiries concerning shares should be directed to:

CIBC Mellon Trust Company
Stock Transfer Department
600 The Dome Tower
333 – 7th Avenue S.W.
Calgary, Alberta T2P 2Z1
Telephone: 1-800-387-0825
e-mail: inquiries@cibcmellon.ca

The shares of ATCO Ltd. are listed on

The Toronto Stock Exchange and
The Canadian Venture Exchange

Under the ticker symbols

ACO.X (Class I Non-Voting Shares)
ACO.Y (Class II Voting Shares)

The fiscal year of ATCO Ltd. ends on December 31. Dividends are mailed approximately the end of March, June, September and December.

ATCO Ltd. is incorporated under the laws of the Province of Alberta.

AUDITORS

PricewaterhouseCoopers LLP
Calgary, Alberta

COUNSEL

Bennett Jones LLP
Calgary, Alberta

ANNUAL MEETING

The Annual Meeting of Shareholders will be held at 10:00 a.m. M.D.T. on Wednesday, May 16, 2001 at

The Fairmont Palliser Hotel
133 – 9th Avenue S.W.
Calgary, Alberta

ATCO GROUP ANNUAL REPORTS

Annual Reports to Shareholders and Management's Discussion and Analysis for ATCO Ltd. and Canadian Utilities Limited are available upon request from:

ATCO Ltd. & Canadian Utilities Limited
Corporate Offices
1500/1600, 909 – 11th Avenue S.W.
Calgary, Alberta T2R 1N6
Telephone: (403) 292-7500
Fax: (403) 292-7643
Website: www.atco.com

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