

# Canadian Utilities Limited

## Fourth Quarter 2023 Results Conference Call Transcript

**Date:** Thursday, February 29, 2024

**Time:** 9:00 AM MT

**Speakers:** **Colin Jackson**, Senior Vice President, Finance, Treasury, Risk and Sustainability  
**Brian Shkrobot**, Executive Vice President and Chief Financial Officer  
**Wayne Stensby**, Chief Operating Officer, ATCO Energy Systems  
**Bob Myles**, Chief Operating Officer, ATCO EnPower

### Conference Call Participants:

**Linda Ezergailis**, TD Cowan – Managing Director

**Mark Jarvi**, CIBC Capital Markets – Research Analyst

**Maurice Choy**, RBC Capital Markets – Research Analyst

**Patrick Kenny**, National Bank Financial – Managing Director

**Ben Pham**, BMO – Managing Director

**Jessica Hoyle**, Scotiabank – Research Analyst

**Operator:**

Welcome to the Fourth Quarter 2023 Results Conference Call for Canadian Utilities Limited.

As a reminder, all participants are in listen-only mode and the conference is being recorded. After the presentation, there will be an opportunity to ask questions. To join the question queue, you may press star, then one on your telephone keypad. Should you need assistance during the conference call, you may signal an Operator by pressing star and zero.

I would now like to turn the conference over to Mr. Colin Jackson, Senior Vice President, Finance, Treasury and Sustainability. Please go ahead, Mr. Jackson.

**Colin Jackson:**

Thank you. Good morning, everyone. We're pleased you could join us for Canadian Utilities' Fourth Quarter 2023 Conference Call.

With me today is Canadian Utilities' Executive Vice President & Chief Financial Officer, Brian Shkrobot, as well as ATCO EnPower's Chief Operating Officer, Bob Myles, and ATCO Energy Systems' Chief Operating Officer, Wayne Stensby.

Before we move into our formal agenda, I would like to take a moment to acknowledge the numerous traditional territories and homelands on which our global facilities are located. Today, we're speaking to you from our ATCO Park head office in Calgary, which is located in the Treaty 7 region. This is the ancestral territory of the Blackfoot Confederacy, comprised of the Siksika, the Kainai and the Piikani Nations, the Tsuut'ina Nation, the Stoney Nakoda Nations, that include the Chiniki, Bears paw and Goodstoney First Nations. The City of Calgary is also home to the Metis Nation of Alberta Region 3. We honour and respect the diverse history, languages, ceremonies and culture of the Indigenous people who call these areas home.

Brian will begin today with some opening comments on our financial results and recent Company developments, followed by an update from Wayne and Bob on their respective business segments. Brian, Bob and Wayne will then take questions from the investment community.

Please note that a replay of the conference call, a short supplementary presentation and a transcript will be available on our website at [canadianutilities.com](http://canadianutilities.com), and can be found in the Investors section under the heading Events and Presentations.

I'd like to remind you that our remarks today will include forward-looking statements that are subject to important risks and uncertainties. For more information on these risks and uncertainties, please see the reports filed by Canadian Utilities with the Canadian securities regulators.

Finally, I'd like to point out that during this presentation we may refer to certain non-GAAP and other financial measures, such as total of segment measures, adjusted earnings, adjusted earnings per share and capital investment. These measures do not have any standardized meaning under IFRS and, as a result, they may not be comparable to similar measures presented in other entities.

Now, I'll turn the call over to Brian for his opening remarks.

**Brian Shkrobot:**

Thanks, Colin, and good morning, everyone. Thank you all very much for joining us today for our Fourth Quarter 2023 Conference Call.

2023 was a great year for Canadian Utilities Limited. We achieved adjusted earnings of \$596 million, or \$2.21 per share, for 2023. This performance was in line with our expectations for 2023, given the

rebasings occurring in our Alberta-based distribution utilities during the year and the receding inflation in our Australia natural gas distribution business.

Overall, our ATCO Energy Systems business continued to perform very well, with our transmission utilities providing stability and continued strong operating performance to help offset the pressures associated with rebasing at our distribution utilities. On the electric distribution side, we saw rate base growth, efficiency carryover mechanism and operational efficiencies to help to partially offset this rebasing pressure in the period. Similarly, in our Alberta-based natural gas business, rate based growth, operational efficiencies and the efficiency carryover mechanism provided similar relief.

Moving to our natural gas distribution business in Australia, we continued to see strong growth in key operating metrics, such as new connections, tariff rates and system volumes throughout the year. Australia's in-country inflation profile, however, continued to be the driving factor of the year-over-year earnings pressure experienced. As we discussed in our conference calls throughout 2023, 2022 saw inflation build rapidly, especially in the second half of the year, with full-year inflation reaching almost 8 per cent by year end 2022. As a result of this building profile, our 2022 earnings were exceptionally strong and created a comparable that was difficult to compete with in 2023, as inflation levels began to moderate. This trend resulted in us reporting a year-over-year decline of \$20 million for this business in the year.

Looking ahead to 2024, in-country estimates continue to suggest a further moderation in inflation, with estimates in the 3 per cent to 3.2 per cent range, and we do expect this to create further pressure on Australia earnings. We do not, however, expect the same degree of year-over-year volatility in 2024 comparables, as full-year 2023 inflation for Australia declined to 4 per cent by year end.

With Wayne joining us for the conference call today, this is likely a great point for me to pass the call over to him to speak a little bit more about the successes that we saw in the ATCO Energy Systems business in 2023, and how we're seeing things shape up for 2024. Wayne?

**Wayne Stensby:**

Thank you, Brian, and good morning to all and thank you for taking the time.

As you alluded to in your opening comments, 2023 saw our business face some meaningful challenges and cyclicity. Despite this, however, we delivered results that were in line with expectations and consistent with those that were previously communicated. While rebasing pressured earnings in the year, it highlights the degree to which we've been successful at unlocking efficiencies within the business, and the benefits that we've been able to share with customers as a result.

Since starting our first PBR cycle in 2013, and considering the impacts of inflation, we've unlocked a 29 per cent reduction in O&M costs per kilometre of electric distribution line and a 39 per cent reduction in natural gas distribution costs per customer. Those are very meaningful for our customers here in Alberta. These meaningful savings allows us to continue to be a safe, reliable and efficient systems operator, as we invest to meet the changing needs of our customers, and that is at the core of our long-term strategy.

While I know that Brian and I have touched on this during previous conference call, it's worth reiterating that 2023 saw us receive prospective regulatory decisions for both our generic cost of capital, or GCOC, and our third PBR cycle, which has now kicked off in 2024. As expected, the GCOC decision included the adoption of a formulamatic approach to ROE and the increasing of our improved ROE from 8.5 per cent to 9.28 per cent for 2024. This is a meaningful increase and one that will help support strong performance as we move forward.

While I won't dig into the details of the PBR3 decision in this call, it was largely in line with our expectations, and we believe it provides a solid foundation for us to continue to deliver strong performance throughout the next PBR term.

Most importantly, and as highlighted by both of these decisions, we continue to see prospectivity from our regulators, a clear understanding and the need for fair and reasonable returns on critical utility investments, and the importance of ensuring that the energy system remains reliable as society's energy needs continue to grow and evolve.

As we think about 2024 more broadly, we see a very strong economic backdrop in our core Alberta market. We are seeing exceptionally strong population growth, housing starts, industrial activity and broad economic expansion, and all of these show that the province will see strong growth in the coming years. Along with these core economic drivers, we continue to see a need, and a growing need, to invest in our systems to ensure the ongoing reliability and safety as we adapt to climate change and to support the broader societal decarbonization objectives. Collectively, these factors support an expectation for rate-based growth to increase in the coming years and we see plenty of opportunities for us to invest within our existing footprint.

In 2023, we invested \$1.2 billion in our core utilities within ATCO Energy Systems. This ongoing utility investment ensures the continued generation of stable earnings and reliable cash flows from our utilities business, and drives rate-based growth. Given the strong trends that we are seeing in our core operating geographies, we expect to invest \$4.1 billion to \$4.8 billion in our regulated utilities over the next three years, and for this to drive an annual rate-based growth of somewhere between 3 per cent and 4.4 per cent. In addition, we expect over the longer term to reach the 5 per cent growth level. While the lower end of this range is believed to be readily achievable, based on our current regulatory filings, our ability to demonstrate the need for prudent investment to our regulator through additional filings will be required in order to achieve the higher end of these ranges.

With those comments, I'll pass it back to you, Brian.

**Brian Shkrobot:**

Thanks, Wayne, and great points.

While 2023 was, on one hand, a transition year for the Alberta distribution utilities as they exited the second PBR cycle, it was also a key foundation-building year as they enter their third PBR cycle, and we continue to look for opportunities to drive additional growth across a wider ATCO Energy Systems portfolio.

Moving on to our ATCO EnPower business, we delivered adjusted earnings of \$50 million in 2023, compared to \$35 million in 2022. Supporting this year-over-year growth was our acquisition of the Forty Mile and Adelaide wind assets in 2023, along with the energization of our Barlow, Deerfoot and Empress solar assets in the year.

Beyond this earnings growth, 2023 also saw us deliver a number of achievements related to our overall strategy. To talk about some of the other achievements that ATCO EnPower business achieved in the year, and some of the strategic items that are front of mind heading into 2024, I will now turn the call over to Bob.

**Bob Myles:**

Thank you, Brian. You are correct, 2023 was a big year for ATCO EnPower, as we continued to execute our strategy.

We signed a number of key long-term offtake agreements for our developments, including those with Microsoft and Lafarge. In Australia, we were selected as a preferred partner in the delivery of the South

Australian Government's Hydrogen Jobs Plan, a plan that will see us work as part of a consortium with BOC Linde to deliver a strategy and development program for the government's 250-megawatt hydrogen production facility, along with a 200-megawatt hydrogen-fuelled electricity generating facility and related hydrogen storage.

Back here in Canada, I'd also specifically highlight the work we did with the Chiniki and Goodstoney First Nations, and the project financing we completed on Forty Mile Wind, backed by our contracted sales volumes. In 2023, we brought the Chiniki and Goodstoney First Nations into our Deerfoot and Barlow solar developments, making them 51 per cent owners in the projects. Not only does this partnership support energy transition and our overall strategy related to renewable generation and Indigenous engagement, it creates meaningful and long-lasting economic returns for these communities.

EnPower focused our efforts over the last 18 months to contract our Canadian sales volumes into long-term virtual power purchase arrangements, which has culminated now with our 2024 Canadian sales volumes under virtual PPAs totaling 71 per cent of our overall platform. This approach provided the opportunity for EnPower to complete a limited recourse project financing on Forty Mile Wind, totaling gross proceeds of \$292 million. Partnerships and collaboration, contracting a significant portion of future generation through virtual PPAs, and project-level financing remain the cornerstone values of our business, and areas that will only grow in importance as we continue to pursue our growth objectives for renewables and our ultimate goal of owning, developing and managing more than 1,000 megawatts of renewable generation by 2030.

On the hydrogen front, we remain committed to our development project within Alberta's Industrial Heartland, and to meeting the growing demand for clean hydrogen in the economy more broadly. This involves the development of both a carbon sequestration hub with Shell and our Heartland Hydrogen Hub project. Since our last discussion, our last update, we've continued to advance conversations with project partners and offtakers, while also progressing the technical work necessary to support a FEED decision in 2024 on our Hydrogen Hub project in the Heartland and an FID decision on our carbon sequestration project with Shell. As has always been the case, an executable business case for these projects will include strong commercial, financial and offtake partners. These partners are a key to guaranteeing the projects' long-term success. To ensure the right partners are obtained, we're currently undergoing a live and competitive process to select these project partners and expect to have clarity on the outcomes of this process by mid-year.

In terms of capital investment within ATCO EnPower, 2023 saw us invest \$837 million into the business, an increase of \$597 million from 2022. This increased investment reinforces our commitment to energy transition and was made up primarily of our renewable electricity asset acquisition that was completed at the beginning of the year. This acquisition saw us acquire both the operating Forty Mile and Adelaide wind assets, along with a renewable generation development pipeline. Also included in our capital investment were a number of projects that we've already talked about today, including our Barlow, Deerfoot and Empress solar projects. Looking to the future, our hydrogen initiatives and the successful execution of our renewable generating pipeline will all necessitate significant capital investment.

We're currently evaluating yesterday's Government of Alberta announcement on the renewable moratorium. More detail is definitely required; however, I'm not surprised with their position, but we can discuss that further in our Q&A session.

In the near term, we expect capital recycling, partnering and our existing sources of capital to provide the necessary funding to support these growth efforts. As we continue towards final investment decisions on key developments, including our hydrogen project in the Alberta Heartland, we will constantly evaluate our funding program to ensure that sufficient capital is available to support this growth. We continue to believe that the demand for clean hydrogen and renewable electricity will only

grow as industry and governments seek to reduce carbon intensity, while ensuring a stable and reliable supply of energy.

With that update, Brian, I'll pass things back to you.

**Brian Shkrobot:**

Thanks, Bob. Great to hear about the growth that's happening within ATCO EnPower, and the ways in which that supports not just earnings, but the numerous communities with whom we interact.

Overall, our 2023 results were in line with our expectations for the rebasing year. The earnings pressures we expected related to rebasing and the Australian inflation were evident in our results, but the overall impact was softened by the exceptional operating performance of all our segments, and we end 2023 with a stable base on which to build for 2024.

Our ATCO Energy Systems business is seeing favourable growth trends on the horizon, and it's entering its third performance-based regulation cycle with regulatory prospectivity and a more favourable ROE environment.

Our ATCO EnPower business continues to execute on its renewable electricity development and laying the groundwork for key decisions on our ongoing clean fuels development.

Overall, Canadian Utilities is in a great position heading into 2024, and I'm excited to watch the business grow moving forward.

As I conclude my prepared remarks, I want to thank everyone for their investment in Canadian Utilities Limited and the support that you've provided our business throughout the years.

As many of you have seen, I recently announced that I'll be retiring from Canadian Utilities Limited effective March 1, and that this will be my last conference call as your Chief Financial Officer. It has been an honour to serve as a leader within various segments of your business for the last 24 years, and to work with the incredibly talented that we have here. Canadian Utilities has an exciting road ahead and I know that Katie Patrick, and the rest of the Leadership Team here, will steward the business masterfully as the story progresses.

That concludes my prepared remarks. I will now turn the call back to Colin.

**Colin Jackson:**

Thank you, Brian. On behalf of all of us at Canadian Utilities, I'd like to thank you for your contributions over the last 24 years. I know, for me, it's been a privilege to work with you, and I'm going to miss you.

**Brian Shkrobot:**

Thanks, Colin.

**Colin Jackson:**

In the interest of time, we ask that you limit yourself to two questions. If you have any additional questions, you are welcome to rejoin the queue.

I will now turn it over to the conference coordinator for questions.

**Operator:**

Thank you. To join the question queue, you may press star, then one on your telephone keypad. You will hear a tone acknowledging your request. If you're using a speakerphone, please pick up your handset before pressing any keys. To withdraw your question, please press star, then two.

The first question comes from Linda Ezergailis with TD Cowan. Please go ahead.

**Linda Ezergailis:**

Thank you. Before I ask my question, Brian, I want to congratulate you on a very successful career and wish you all the best in your retirement.

**Brian Shkrobot:**

Thanks, Linda.

**Linda Ezergailis:**

I guess my first question is just the news of the day. In terms of the Alberta announcement yesterday, how might we think of your evolving appetite to invest in renewables; specifically, with some of the unclear definition of what a “pristine viewscape” might be and how different stakeholders might define that differently? Can you just talk about how you see your presence in the province evolving and what you might do to mitigate that uncertainty?

**Bob Myles:**

Hi, Linda, thank you for that. Bob here. I totally agree. I actually smiled when you mentioned the words about “pristine,” because in my remarks, when I commented around we need more detail, that was one of the areas, is what does that mean. The positive thing, in my mind, anyway, for our assets, is many of the development pipeline, the assets that we acquired are in the eastern part of the province, and I know in some of the conversations we’ve had with government, it was more a focus around kind of the foothills and the pristine views of the mountains. Those are my views on what I think is going to happen, but, I mean, again, the devil’s in the detail.

I still believe that renewables are a key part of the growth in the province. Do I believe that renewables are going to solve electricity requirements when it gets to minus-30? No, I don’t, but I do think they play a pretty important role through energy transition for ourselves and for the province.

**Linda Ezergailis:**

Thank you, and maybe as my follow-up question, just switching gears a bit, in terms of how to achieve decarbonization and energy transition. The three-year outlook on CapEx is going to probably be influenced heavily by what goes on in terms of natural gas demand in the Heartland Industrial Area. When might we see Canadian Utilities making incremental regulatory filings, and what’s your expectation in terms of the actual potential incremental CapEx, when that might be spent? Would that be more in the outer years of your three-year planning process, or can you just comment on how that might firm up?

**Wayne Stensby:**

Thanks, Linda. It’s Wayne. That’s a great question. Yes, when we look over the next three- and even five-year horizon, we’re seeing those ever-increasing investment signals, or demands, fundamentally-driven from a couple of areas. We’re seeing a lot of what we would call organic growth across our utilities; that is really driven, as I mentioned, by inward population and housing starts. I think, though—and you kind of called it out—we shouldn’t forget the large number of significant industrial developments, and, frankly, announcements, in the Heartland Greater Edmonton Area, and there will be more to come in 2024, as we advance our ability to deliver natural gas to those projects. There is a regulatory decision underway, that sort of flowed out of Pipeline’s GRA, to support that, and I think you will see us later in the year making subsequent regulatory applications in order to address other climate adaptation opportunities or needs for our customers.

**Linda Ezergailis:**

Thank you.

**Operator:**

The next question comes from Mark Jarvi with CIBC Capital Markets. Please go ahead.

**Mark Jarvi:**

Yes, good morning. First, happy retirement to you, Brian, well deserved.

Just maybe on the range of the rate-based growth that you provided, what kind of moves you to the upper end of the range, and would the base case be at the midpoint right now?

**Wayne Stensby:**

Thanks, Mark. It's Wayne. No, I would say the base case is actually just the base case. We're confident that we can get there. The upper end of the range is going to require, as we indicated in the document, is going to require support and applications from the regulator, but we're feeling pretty good about the base case.

**Mark Jarvi:**

Just to follow up on that, just with the GRA pending on the gas transmission side of things, how does that factor into what's currently shown as the three years for growth on rate base, and, then, how much more of a supplemental application, or what the process is, to ramp that up to get to the top end of the growth range for the gas transmission business?

**Wayne Stensby:**

Well, on the GRA application that is currently there, and Brian will add to my comments, but we have reached a negotiated settlement on that application. There is, however, an ongoing piece of work around CWIPP, or the ability to support some of our larger ongoing projects, and we would expect the results of that kind of mid-year.

**Brian Shkrobot:**

Mark, to just further add to Wayne's comments, we anticipated the incremental growth within our transmission business, and so we included a placeholder for a deferral account, which would facilitate a speedier process to address the expected capital increase scenario, and also to put in mechanisms that would give us kind of a cash return as we construct a potential large project. Those are some of the proactive things that we did and, as Wayne alluded to, we'll follow that with needs applications, and further as we go, but we wanted to ensure that we had kind of the key base foundation in our regulatory filings, and we'll progress from there.

**Mark Jarvi:**

Okay, and then last question, just to kind of clarify. When you talk about pushing to 4 per cent to 5 per cent, is that at the upper end of the range you provide in the MD&A, which is 4.4 per cent, or do you think there's potential in a sort of three- to five-year horizon to push above the 4.4 per cent range, closer to 5 per cent?

**Wayne Stensby:**

Yes, I think—I mean, I'm forming my views, Mark, on really that strong underpinning economic growth in the province and what we see as requirements and needs for climate adaptation. We published the numbers we published and we're going to stand by those numbers, but, honestly, as I think about the next five, six, seven years in Alberta, it is a very positive environment, and it's up to us, as the utility, we're a fundamental driver of a lot of that growth and supporter of a lot of that growth, and so rest assured that our teams are committed to supporting all of our customers through that next five, and beyond, year horizon.



**Mark Jarvi:**

Okay, and maybe just one quick follow-up. With customers' affordability, just as you went through the negotiated settlement, particularly on the GRA, and maybe just the outreach, how are you seeing acceptance around that incremental immediate investment, and the ability to get that, I guess, buy-in from customers for that increment investment to drive the rate-based growth higher?

**Wayne Stensby:**

Yes, for sure, and you would have heard in the prepared remarks, frankly, the phenomenal job that our teams have been able to do in terms of cost savings historically. I don't want to downplay the need for us to keep one eye on operating efficiencies and continuing to drive O&M costs down, I think that is the path for us in terms of affordability. The flip side of that, of course, is we continue to see strong customer feedback and demand for increased supply and increased reliability, and I, personally, believe over the next decade we're going to continue to see an ever-increasing desire by customers for an ever-increasing level of reliability. So, that's how we're thinking about our investments moving forward.

**Mark Jarvi:**

Understood, and once again, Brian, congratulations.

**Brian Shkrobot:**

Thanks, Mark.

**Operator:**

The next question comes from Maurice Choy with RBC Capital Markets. Please go ahead.

**Maurice Choy:**

Thank you, and good morning, everyone. Wayne, if I could just pick up on a previous question a little bit, and to clarify. Are you saying that you're expecting to reach 4 per cent to 5 per cent in the next five to seven years, and that is all largely driven by economic and population growth?

**Wayne Stensby:**

Yes, I think what we said is in the longer period, beyond the three-year view, we are going to—we anticipate being able to see those ranges. We recognize that is five years out, Maurice. I'm not suggesting that it's just based on customer growth. I go back to our pillars and our strategy, is really around supporting our customers as they continue to evolve, so we have a very strong kind of line of sight to both industrial and commercial and residential growth today. The longer term is our view of climate adaptation, investments in our utilities to support decarbonization, and it just occurs to us that those trends are, in some ways, universal, but are certainly well at play and well at hand here in Alberta.

**Maurice Choy:**

Understood, and maybe just keeping on the same theme about growth here. Obviously, the CapEx is going to rise due to large numbers. Brian, could you speak to your equity needs to deliver this rate-based growth? And it's up to you whether or not you want to speak to that, in the context of \$2.5 billion of renewables and almost \$5 billion for a hydrogen project, or not.

**Brian Shkrobot:**

Yes, thanks, Maurice, and as you alluded to, and Wayne outlined, we do see some considerable growth opportunities over the long term, and as we do that, we'll continue to access both the debt and equity markets. Over time, with that level of growth, you'll see us likely to go to the equity markets, and we've

been communicating that through the past year, and so no surprise on that front, and on all sides of our business, we'll continue to make sure that we optimize the sources of funding as we go.

**Maurice Choy:**

Then, just to clarify, and I think it was about—I think it was something that Bob mentioned in his prepared remarks, that to support the growth, you're expecting to perform some capital recycling, alongside partnerships and existing sources of capital. Can you elaborate a little bit more about what these capital recycling potential opportunities are?

**Bob Myles:**

Yes, Maurice, thanks. Bob here. I'd say two key areas where we've referenced recycling. One is in the area of renewables. We're looking at partnerships in the renewables area. So, as we develop our projects, we'd look to bring partners in. We call that kind of recycling from that perspective. Then, in the other area, in our large hydrogen projects, absolutely, we'll be bringing in partners, strategic partners, primarily, in that area, as well. But, we really want to develop the projects ourselves and then bring partners in at a later date. That's kind of the reference to the recycling.

**Maurice Choy:**

Would you contemplate selling some of the renewables as you de-risk them over the course of the years?

**Bob Myles:**

I would say, yes, we would definitely consider that.

**Maurice Choy:**

Thank you very much.

**Bob Myles:**

Maurice, it's definitely not our number one priority to sell them, but we will consider that, for sure.

**Maurice Choy:**

That makes sense, and I'll share my congratulations to Brian on your retirement tomorrow, and best of luck, as well.

**Brian Shkrobot:**

Thanks, Maurice.

**Operator:**

The next question comes from Patrick Kenny with National Bank Financial. Please go ahead.

**Patrick Kenny:**

Yes, good morning, everybody. Maybe just coming back to the Alberta government's announcement this week, they've indicated some changes still to come here on how electric transmission costs might be allocation, or I guess recovered across the system. I just wanted to get your thoughts on how these changes might impact your overall business risk profile, say, with the rating agencies, if, for example, a higher proportion of revenue comes from a more concentrated group of renewable power developers, as opposed to your diversified pool of end-us customers. Following on that, do you think these changes could call for a higher equity thickness down the road versus the relatively low 37 per cent that's in place right now?

**Brian Shkrobot:**

Thanks, Patrick, great question, and I guess to answer your question, no, we don't anticipate any—with the changes, any impact or a risk as a regulated utility. The regulatory compact allows us to recover our prudently incurred costs and provides that opportunity. Although the mix of who pays for electric transmission may change, we don't anticipate any of that impact on our business. We will continue to push for higher equity thickness. I think we did that in the last GCOC, and some work continues to be done there, as we try to, again, get our equity thickness probably more in line with the kind of North American peers. But, to answer your question, simply no, we don't anticipate any impacts on our credit metrics or risk on electric transmission opportunities.

**Patrick Kenny:**

Okay, great, thanks for that, and then maybe just a follow-up on your comments around the strong population growth in the province. I'm just wondering if you're starting to see any relief from a workforce availability perspective or if labour shortages are still a concern as you look to execute on your growth plans here in Alberta over the coming years.

**Wayne Stensby:**

Yes, I can address that. I think one goes hand-in-hand with the other, if you're thinking about it the right way. People are coming to Alberta for career opportunities, for jobs, to participate in the economy, and, as a result, they bring skills and expertise, that then helps Alberta grow and execute, so I think it all kind of leads a little bit hand-in-glove.

There is a very large pipeline of very large projects that either have been announced or we would all expect will be announced over the coming months and years, and so, yes, I think there will, no doubt, be some challenges around trades and some of those activities. We have a long-standing strategy of investing in our people and investing in our teams, a focus on development of workforce, and we will continue to do that throughout Alberta. These are all features of a growth economy and we're very proud and pleased to be part of it.

**Patrick Kenny:**

Okay, great, appreciate your comments, and all the best, Brian.

**Brian Shkrobot:**

Thanks, Patrick.

**Operator:**

The next question comes from Ben Pham with BMO. Please go ahead.

**Ben Pham:**

Hi, thanks. Good morning. On the potential sanctioning of the Heartland Hydrogen CCS Project, how does that influence, if any, your CapEx numbers or rate-based growth figures that you've highlighted in the report?

**Brian Shkrobot:**

Thanks, Ben. The rate base numbers that Wayne went through, it wouldn't be impacted, particularly, for that hydrogen project in Bob's business.

**Bob Myles:**

Yes, Ben, maybe just to answer that, the project that I was referencing is on the non-utilities side, so it would be totally separate to Wayne's rate base numbers, as Brian said.

**Ben Pham:**

Even the H2 pipe would be non-regulated?

**Bob Myles:**

As of right now, the H2 pipeline that is part of our Hydrogen Heartland Hub project would be separate, as well, as of right now.

**Ben Pham:**

Okay, and maybe this one's a little bit similar question. I was also thinking about more the indirect impact, too, to your rate base figures, is the Heartland activity, and moving forward a project. Have you, in a sense, indirectly flowed through the impact of this project into the regulated side? Like, I guess, would there be an impact there?

**Wayne Stensby:**

The numbers—it's Wayne. The rate-based growth numbers that we published are on the basis of approved projects that are in the Heartland area, amongst others across the province. To the degree there is incremental announcements in years to come of additional large users in the Heartland area, then, that would be one of the ways that those numbers move up.

**Ben Pham:**

Okay, and then maybe my follow-up question. I'm just looking at how you've broke out the rate base CAGRs by utility, and I noticed your transmission side, there's not a lot of—well, I shouldn't say not a lot, but the growth rate's the lowest of the group. Shouldn't that go up at all just with all the renewables stuff that's happening in the province, or what happened, or is it just really where your transmission is located?

**Brian Shkrobot:**

I might take your eye back to the size of the transmission rate base, to begin with. It is kind of, you know, quite a bit, or far and beyond the size of the rate bases across the rest of our portfolio, and so, even though it is seeing capital investment, obviously, dollar-for-dollar requires quite a bit more in order to generate similar percentage growth rates. There are some investments in the electric transmission business to support renewables. I, frankly, see more in the future, as we think about we serve—you kind of pointed it out, but we serve the more northern parts of Alberta, broadly, the oil and gas sector, and if you think about those corners of the province, growth in that electric transmission business, I think, is going to be more aligned with climate adaptation and reliability enhancements.

**Ben Pham:**

Okay, that's helpful. Thank you.

**Operator:**

The next question comes from Jessica Hoyle with Scotiabank. Please go ahead.

**Jessica Hoyle:**

Great, thanks so much for taking my questions. Just to start, on the renewables side, just looking at your renewables development pipeline in your latest slide deck, just how are you thinking about progressing the pipeline in the near term, and, I guess, just what is required to move some of these projects to a positive FID?

**Bob Myles:**

Yes, thanks, Jessica. Bob here. In our pipeline that we acquired, we are already advancing one of those projects. The project we have been advancing was not impacted directly by the moratorium, the renewables moratorium with the government, it had already been approved. The other projects that are in the pipeline were, obviously, not approved, so we were advancing those maybe a little bit more slowly, if I could put it that way. Right now, we're spending our time trying to understand where the government is before we really start deciding which is the next project that we advance.

**Jessica Hoyle:**

Okay, thanks for that, and just moving over to the utilities, what kind of initial expectations do you have for performance in 2024 under PBR3, and what kind of further efficiencies can be realized?

**Wayne Stensby:**

As you would know, and have seen, Jessica, the parameters for PBR3 were adjusted a little bit, I guess, in terms of where the earnings sharing begins, and some of those other elements. I think you could look at our track record and understand that we are pretty focused on finding, and continuing to find, efficiencies in the business, and as we look out over the next five years, it—we get those efficiencies through technology, through other capital investments, that then support operating efficiencies, and I can assure you the teams are busy with an eye towards that, and that is our view of how we support customer affordability. It is a five-year cycle and we're in the first year. We are continuing to put plans in place to seek a level of outperformance. I don't want to miss the opportunity, though, to illustrate that we are really focused on growth in the next few years, and so I believe we can achieve both, but you will see both come out of our businesses.

**Jessica Hoyle:**

Great, thanks for the colour, and, Brian, wish you the best in retirement.

**Brian Shkrobot:**

Thanks, Jessica.

**Operator:**

This concludes the question-and-answer session. I would like to turn the conference back over to Mr. Colin Jackson for closing remarks.

**Colin Jackson:**

Thank you. Thank you all for participating today, we appreciate your interest in Canadian Utilities, and we look forward to speaking with you again soon.

**Operator:**

This concludes today's conference call, you may disconnect your lines. Thank you for participating and have a pleasant day.