



An **ATCO** Company

CU INC.  
INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE THREE MONTHS ENDED MARCH 31, 2022

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# CONSOLIDATED STATEMENTS OF EARNINGS

<i>(millions of Canadian Dollars)</i>	Note	Three Months Ended March 31	
		2022	2021
<b>Revenues</b>	4	<b>917</b>	743
<b>Costs and expenses</b>			
Salaries, wages and benefits		(57)	(49)
Energy transmission and transportation		(66)	(64)
Plant and equipment maintenance		(34)	(33)
Fuel costs		(4)	(3)
Purchased power		(29)	(27)
Depreciation and amortization		(138)	(133)
Franchise fees		(111)	(81)
Property and other taxes		(17)	(17)
Other		(72)	(72)
		<b>(528)</b>	(479)
<b>Operating profit</b>		<b>389</b>	264
Interest expense		(92)	(91)
<b>Earnings before income taxes</b>		<b>297</b>	173
<b>Income tax expense</b>		<b>(75)</b>	(40)
<b>Earnings for the period</b>		<b>222</b>	133

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

<i>(millions of Canadian Dollars)</i>	Three Months Ended March 31	
	2022	2021
<b>Earnings for the period</b>	<b>222</b>	133
<b>Other comprehensive income, net of income taxes</b>		
Items that will not be reclassified to earnings:		
Re-measurement of retirement benefits <sup>(1)</sup>	<b>17</b>	14
<b>Comprehensive income for the period</b>	<b>239</b>	147

(1) Net of income taxes of \$(5) million for the three months ended March 31, 2022 (2021 - \$(4) million).

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

# CONSOLIDATED BALANCE SHEETS

<i>(millions of Canadian Dollars)</i>	Note	March 31 2022	December 31 2021
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	8	261	56
Short-term advances to parent company		65	65
Accounts receivable and contract assets		422	463
Trade accounts receivable from parent and affiliate companies		3	12
Inventories		18	13
Prepaid expenses and other current assets		14	79
		<b>783</b>	688
<b>Non-current assets</b>			
Property, plant and equipment	5	16,192	16,217
Intangibles		689	674
Right-of-use assets		11	11
Investment in joint venture	3	18	–
Other assets		55	22
<b>Total assets</b>		<b>17,748</b>	17,612
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Bank indebtedness	8	–	4
Short-term advances from parent company		–	65
Accounts payable and accrued liabilities		484	450
Accounts payable to parent and affiliate companies		27	39
Lease liabilities		1	1
Provisions and other current liabilities		120	70
Short-term debt	6	52	206
Long-term debt		125	125
		<b>809</b>	960
<b>Non-current liabilities</b>			
Deferred income tax liabilities		1,538	1,484
Retirement benefit obligations		132	155
Customer contributions		1,842	1,822
Lease liabilities		10	10
Other liabilities		10	11
Long-term debt		8,276	8,276
<b>Total liabilities</b>		<b>12,617</b>	12,718
<b>EQUITY</b>			
Equity preferred shares		187	187
<b>Class A and Class B share owner's equity</b>			
Class A and Class B shares		1,056	1,056
Retained earnings		3,888	3,651
		<b>4,944</b>	4,707
<b>Total equity</b>		<b>5,131</b>	4,894
<b>Total liabilities and equity</b>		<b>17,748</b>	17,612

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

<i>(millions of Canadian Dollars)</i>	Note	Class A and Class B Shares	Equity Preferred Shares	Retained Earnings	Accumulated Other Comprehensive Income	Total Equity
December 31, 2020		1,056	266	3,627	–	4,949
Earnings for the period		–	–	133	–	133
Other comprehensive income		–	–	–	14	14
Gains on retirement benefits transferred to retained earnings		–	–	14	(14)	–
Dividends	7	–	–	(3)	–	(3)
March 31, 2021		1,056	266	3,771	–	5,093
December 31, 2021		1,056	187	3,651	–	4,894
Earnings for the period		–	–	<b>222</b>	–	<b>222</b>
Other comprehensive income		–	–	–	<b>17</b>	<b>17</b>
Gains on retirement benefits transferred to retained earnings		–	–	<b>17</b>	<b>(17)</b>	–
Dividends	7	–	–	<b>(2)</b>	–	<b>(2)</b>
March 31, 2022		<b>1,056</b>	<b>187</b>	<b>3,888</b>	–	<b>5,131</b>

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

# CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(millions of Canadian Dollars)</i>	Note	Three Months Ended March 31	
		2022	2021
<b>Operating activities</b>			
Earnings for the period		222	133
Adjustments to reconcile earnings to cash flows from operating activities	8	324	279
Changes in non-cash working capital		74	61
<b>Cash flows from operating activities</b>		<b>620</b>	473
<b>Investing activities</b>			
Additions to property, plant and equipment		(167)	(176)
Additions to intangibles		(29)	(25)
Proceeds on sale of ownership interest in a subsidiary company, net of cash disposed	3	8	-
Changes in non-cash working capital		19	22
Other	5	64	-
<b>Cash flows used in investing activities</b>		<b>(105)</b>	(179)
<b>Financing activities</b>			
Net repayment of short-term debt	6	(154)	-
Repayment of lease liabilities		-	(1)
Dividends paid on equity preferred shares	7	(2)	(3)
Interest paid		(85)	(77)
<b>Cash flows used in financing activities</b>		<b>(241)</b>	(81)
<b>Increase in cash position</b>		<b>274</b>	213
Beginning of period		52	(22)
<b>End of period</b>	8	<b>326</b>	191

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**(UNAUDITED)**

**MARCH 31, 2022**

*(Tabular amounts in millions of Canadian Dollars, except as otherwise noted)*

## **1. THE COMPANY AND ITS OPERATIONS**

CU Inc. was incorporated under the laws of Canada and its debt and equity preferred shares are listed on the Toronto Stock Exchange. Its head office and registered office is at 4th Floor, West Building, 5302 Forand Street SW, Calgary, Alberta T3E 8B4. The Company is controlled by Canadian Utilities Limited, which in turn is principally controlled by ATCO Ltd. and its controlling share owner, the Southern family.

CU Inc. is engaged in the following business activities:

- Electricity (electricity transmission and distribution); and
- Natural gas (natural gas transmission and distribution).

The unaudited interim consolidated financial statements include the accounts of CU Inc. and its subsidiaries (the Company).

## **2. BASIS OF PRESENTATION**

### **STATEMENT OF COMPLIANCE**

The unaudited interim consolidated financial statements are prepared according to International Accounting Standard (IAS) 34 Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and IFRS Interpretations Committee (IFRIC). They do not include all the disclosures required in annual consolidated financial statements and should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2021, prepared according to IFRS.

The unaudited interim consolidated financial statements are prepared following the same accounting policies used in the Company's most recent annual consolidated financial statements, except for income taxes. In interim periods, income taxes are accrued using an estimate of the annualized effective tax rate applied to year-to-date earnings.

The unaudited interim consolidated financial statements were authorized for issue by the Audit Committee, on behalf of the Board of Directors, on April 27, 2022.

### **BASIS OF MEASUREMENT**

The unaudited interim consolidated financial statements are prepared on a historic cost basis, except for retirement benefit obligations and cash-settled share-based compensation liabilities which are carried at remeasured amounts or fair value.

Revenues, earnings and adjusted earnings for any quarter are not necessarily indicative of operations on an annual basis. Quarterly financial results may be affected by the seasonal nature of the Company's operations and the timing of utility rate decisions.



### 3. SEGMENTED INFORMATION

Results by operating segment for the three months ended March 31 are shown below.

2022					
2021	Electricity	Natural Gas	Corporate & Other	Intersegment Eliminations	Consolidated
Revenues - external	<b>392</b>	<b>525</b>	-	-	<b>917</b>
	333	410	-	-	743
Revenues - intersegment	<b>1</b>	-	-	<b>(1)</b>	-
	1	-	-	(1)	-
Revenues	<b>393</b>	<b>525</b>	-	<b>(1)</b>	<b>917</b>
	334	410	-	(1)	743
Operating expenses <sup>(1)</sup>	<b>(147)</b>	<b>(244)</b>	-	<b>1</b>	<b>(390)</b>
	(124)	(223)	-	1	(346)
Depreciation and amortization	<b>(79)</b>	<b>(59)</b>	-	-	<b>(138)</b>
	(78)	(55)	-	-	(133)
Interest expense	<b>(58)</b>	<b>(33)</b>	<b>(1)</b>	-	<b>(92)</b>
	(57)	(33)	(1)	-	(91)
Earnings (loss) before income taxes	<b>109</b>	<b>189</b>	<b>(1)</b>	-	<b>297</b>
	75	99	(1)	-	173
Income tax expense	<b>(31)</b>	<b>(44)</b>	-	-	<b>(75)</b>
	(17)	(23)	-	-	(40)
Earnings (loss) for the period	<b>78</b>	<b>145</b>	<b>(1)</b>	-	<b>222</b>
	58	76	(1)	-	133
Adjusted earnings (loss)	<b>90</b>	<b>122</b>	<b>(1)</b>	-	<b>211</b>
	85	100	(1)	-	184
Total assets <sup>(2)</sup>	<b>10,364</b>	<b>7,136</b>	<b>245</b>	<b>3</b>	<b>17,748</b>
	10,303	7,265	53	(9)	17,612
Capital expenditures <sup>(3)</sup>	<b>121</b>	<b>77</b>	-	-	<b>198</b>
	88	116	-	-	204

(1) Includes total costs and expenses, excluding depreciation and amortization expense.

(2) 2021 comparatives are at December 31, 2021.

(3) Includes additions to property, plant and equipment, intangibles and \$2 million of interest capitalized during construction for the three months ended March 31, 2022 (2021 - \$3 million).

## ADJUSTED EARNINGS

Adjusted earnings are earnings for the period after adjusting for:

- the timing of revenues and expenses for rate-regulated activities;
- dividends on equity preferred shares of the Company;
- one-time gains and losses;
- impairments; and
- items that are not in the normal course of business or a result of day-to-day operations.

Adjusted earnings are a key measure of segment earnings used by the Chief Operating Decision Maker (CODM) to assess segment performance and allocate resources. Other accounts in the unaudited interim consolidated financial statements have not been adjusted as they are not used by the CODM for those purposes.

The reconciliation of adjusted earnings and earnings for the three months ended March 31 is shown below.

2022					
2021	Electricity	Natural Gas	Corporate & Other	Intersegment Eliminations	Consolidated
Adjusted earnings (loss)	<b>90</b>	<b>122</b>	<b>(1)</b>	–	<b>211</b>
	85	100	(1)	–	184
AUC enforcement proceeding	<b>(27)</b>	–	–	–	<b>(27)</b>
	–	–	–	–	–
Workplace COVID-19 vaccination standard	<b>(3)</b>	<b>(5)</b>	–	–	<b>(8)</b>
	–	–	–	–	–
Gain on sale of ownership interest in a subsidiary company	<b>5</b>	–	–	–	<b>5</b>
	–	–	–	–	–
Transition of managed IT services	–	–	–	–	–
	(3)	(3)	–	–	(6)
Rate-regulated activities	<b>14</b>	<b>29</b>	–	–	<b>43</b>
	(24)	(20)	–	–	(44)
IT Common Matters decision	<b>(2)</b>	<b>(2)</b>	–	–	<b>(4)</b>
	(2)	(2)	–	–	(4)
Dividends on equity preferred shares of the Company	<b>1</b>	<b>1</b>	–	–	<b>2</b>
	2	1	–	–	3
Earnings (loss) for the period	<b>78</b>	<b>145</b>	<b>(1)</b>	–	<b>222</b>
	58	76	(1)	–	133

### **Alberta Utilities Commission (AUC) enforcement proceeding**

On November 29, 2021, the AUC enforcement branch filed an application with the AUC recommending an enforcement proceeding be initiated. A proceeding was commenced to determine whether ATCO Electric Transmission failed to comply with AUC decisions and enactments under the AUC's jurisdiction with respect to a sole source contract for the Jasper interconnection project and the actions leading up to and including the filing of the 2018-2020 Deferral Account Application. The proceeding also includes a determination of any future remedies that may be required.

The AUC enforcement branch and ATCO Electric Transmission commenced settlement discussions in January 2022. On March 18, 2022, the AUC enforcement branch and ATCO Electric Transmission concluded discussions and notified the AUC that the parties had reached a settlement on all matters. On April 14, 2022, the settlement was filed with the AUC, reflecting an agreed administrative penalty of \$31 million, a commitment to amend the ongoing Deferral Account application to ensure the estimated \$11 million of additional rate base remains excluded from customer rates, and the implementation of revised practices and policies. The AUC is currently determining the next process steps.

In the fourth quarter of 2021 and first quarter of 2022, the Company recognized costs of \$14 million and \$27 million (after-tax), respectively, related to the potential outcome of the proceeding. As this proceeding is not in the normal course of business, these costs have been excluded from adjusted earnings.

#### ***Workplace COVID-19 vaccination standard***

To safeguard the health and safety of employees, business partners, customers and communities, the Company required its employees, subject to certain exemptions, to be vaccinated against COVID-19 effective January 1, 2022. Employees who did not demonstrate they were vaccinated or did not have an approved exemption were placed on unpaid leave. These employees were subsequently offered severance and in the three months ended March 31, 2022, the Company incurred \$8 million after-tax related to amounts paid and accrued. As these costs are not in the normal course of business and are a one-time item, they have been excluded from Adjusted Earnings.

#### ***Gain on sale of ownership interest in a subsidiary company***

On March 31, 2022, the Company and Denendeh Investments Incorporated (DII) entered into a share purchase agreement to increase DII's ownership interest in Northland Utilities Enterprises Ltd. (NUE) from 14 per cent to 50 per cent. NUE is an electric utility company operating in the Northwest Territories, Canada and a subsidiary of ATCO Electric Ltd. The change in ownership interest was accomplished through the Company's sale to DII of a 36 per cent ownership interest in NUE for proceeds, net of cash disposed, of \$8 million. The transaction results in the Company and DII each having a 50 per cent ownership interest in NUE.

The share purchase agreement includes a put option whereby the Company may be required to purchase the 36 per cent ownership interest that was sold to DII for fair market value, if certain conditions occur.

Commencing March 31, 2022, the Company no longer consolidates NUE as a controlled subsidiary, and instead, accounts for NUE as an investment in joint venture using the equity method of accounting. The transaction resulted in a gain on sale of \$5 million after-tax. As the gain on sale is not in the normal course of business, it has been excluded from adjusted earnings.

#### ***Transition of managed IT services***

In 2020, the Company's parent, Canadian Utilities Limited, signed a Master Services Agreement (MSA) with IBM Canada Ltd. (IBM) (subsequently novated to Kyndryl Canada Ltd.) to provide managed information technology (IT) services. These services were previously provided by Wipro Ltd. (Wipro) under a ten-year MSA expiring in December 2024. The transition of the managed IT services from Wipro to IBM commenced on February 1, 2021 and was complete by December 31, 2021.

The Company recognized transition costs of \$8 million (\$6 million after-tax) during the three months ended March 31, 2021. The transition costs related to activities to transfer the managed IT services from Wipro to IBM. As these costs are not in the normal course of business, they have been excluded from adjusted earnings.

#### ***Rate-regulated activities***

ATCO Electric, ATCO Electric Yukon, Northland Utilities (NWT), Northland Utilities (Yellowknife), ATCO Gas and ATCO Pipelines are collectively referred to as the Utilities.

There is currently no specific guidance under IFRS for rate-regulated entities that the Company is eligible to adopt. In the absence of this guidance, the Utilities do not recognize assets and liabilities from rate-regulated activities as may be directed by regulatory decisions. Instead, the Utilities recognize revenues in earnings when amounts are billed to customers, consistent with the regulator-approved rate design. Operating costs and expenses are recorded when incurred. Costs incurred in constructing an asset that meet the asset recognition criteria are included in the related property, plant and equipment or intangible asset.

The Company uses standards issued by the Financial Accounting Standards Board (FASB) in the United States as another source of generally accepted accounting principles to account for rate-regulated activities in its internal reporting provided to the CODM. The CODM believes that earnings presented in accordance with the FASB standards are a better representation of the operating results of the Company's rate-regulated activities. Therefore, the Company presents adjusted earnings as part of its segmented disclosures on this basis. Rate-regulated accounting (RRA) standards impact the timing of how certain revenues and expenses are recognized when compared to non-rate regulated activities, to appropriately reflect the economic impact of a regulator's decisions on revenues.

Rate-regulated accounting differs from IFRS in the following ways:

Timing Adjustment	Items	RRA Treatment	IFRS Treatment
1. Additional revenues billed in current period	Future removal and site restoration costs, and impact of colder temperatures.	The Company defers the recognition of cash received in advance of future expenditures.	The Company recognizes revenues when amounts are billed to customers and costs when they are incurred.
2. Revenues to be billed in future periods	Deferred income taxes and impact of warmer temperatures.	The Company recognizes revenues associated with recoverable costs in advance of future billings to customers.	The Company recognizes costs when they are incurred, but does not recognize their recovery until customer rates are changed and amounts are collected through future billings.
3. Regulatory decisions received	Regulatory decisions received which relate to current and prior periods.	The Company recognizes the earnings from a regulatory decision pertaining to current and prior periods when the decision is received.	The Company does not recognize earnings from a regulatory decision when it is received as regulatory assets and liabilities are not recorded under IFRS.
4. Settlement of regulatory decisions and other items	Settlement of amounts receivable or payable to customers and other items.	The Company recognizes the amount receivable or payable to customers as a reduction in its regulatory assets and liabilities when collected or refunded through future billings.	The Company recognizes earnings when customer rates are changed and amounts are recovered or refunded to customers through future billings.

For the three months ended March 31, the significant timing adjustments as a result of the differences between rate-regulated accounting and IFRS are as follows:

	2022	2021
<i>Additional revenues billed in current period</i>		
Future removal and site restoration costs <sup>(1)</sup>	31	29
<i>Revenues to be billed in future periods</i>		
Deferred income taxes <sup>(2)</sup>	(22)	(25)
Distribution rate relief <sup>(3)</sup>	-	(41)
Impact of warmer temperatures <sup>(4)</sup>	(6)	(2)
<i>Settlement of regulatory decisions and other items</i>		
Distribution rate relief <sup>(3)</sup>	35	-
Other	5	(5)
	<b>43</b>	<b>(44)</b>

(1) Removal and site restoration costs are billed to customers over the estimated useful life of the related assets based on forecast costs to be incurred in future periods.

(2) Income taxes are billed to customers when paid by the Company.

(3) In the first quarter of 2021, in response to the ongoing COVID-19 Pandemic, ATCO Electric Distribution and ATCO Gas Distribution applied for interim rate relief for customers to hold current distribution base rates in place. Following approval by the AUC, ATCO Electric Distribution and ATCO Gas Distribution recorded a decrease in earnings of \$41 million (after-tax) in the first quarter of 2021. Based on the direction from the AUC, collection of 2021 deferred rates will be maximized in 2022. In the first quarter of 2022, \$35 million (after-tax) was billed to customers.

(4) ATCO Gas Distribution's customer rates are based on a forecast of normal temperatures. Fluctuations in temperatures may result in more or less revenue being recovered from customers than forecast. Revenues above or below the normal in the current period are refunded to or recovered from customers in future periods.

### IT Common Matters decision

Consistent with the treatment of the gain on sale in 2014 from the IT services business by CU Inc.'s parent, Canadian Utilities Limited, financial impacts associated with the IT Common Matters decision are excluded from adjusted earnings. The amount excluded from adjusted earnings in the three months ended March 31, 2022 was \$4 million (2021 - \$4 million).

## 4. REVENUES

The Company disaggregates revenues based on the nature of revenue streams. The disaggregation of revenues by each operating segment for the three months ended March 31 is shown below:

2022				
2021	Electricity <sup>(1)</sup>	Natural Gas <sup>(1)</sup>	Corporate & Other	Total
<b>Revenue Streams</b>				
<b>Rendering of Services</b>				
Distribution services	176	329	-	505
	130	254	-	384
Transmission services	184	87	-	271
	173	76	-	249
Customer contributions	8	6	-	14
	9	5	-	14
Franchise fees	10	101	-	111
	9	72	-	81
Total rendering of services	378	523	-	901
	321	407	-	728
<b>Other</b>	14	2	-	16
	12	3	-	15
<b>Total</b>	392	525	-	917
	333	410	-	743

(1) For the three months ended March 31, 2022, Electricity and Natural Gas segments include \$120 million of unbilled revenue (2021 - \$108 million). At March 31, 2022, \$120 million of the unbilled revenue is included in accounts receivable and contract assets (2021 - \$108 million).

## 5. PROPERTY, PLANT AND EQUIPMENT

A reconciliation of the changes in the carrying amount of property, plant and equipment is as follows:

	Utility Transmission & Distribution	Land and Buildings	Construction Work-in- Progress	Other	Total
<b>Cost</b>					
December 31, 2021	20,270	616	324	677	21,887
Additions	-	-	172	-	172
Transfers	73	2	(80)	5	-
Retirements and disposals	(21)	-	-	(3)	(24)
Sale of ownership interest in a subsidiary company (Note 3)	(111)	(8)	(2)	(5)	(126)
March 31, 2022	20,211	610	414	674	21,909
<b>Accumulated depreciation</b>					
December 31, 2021	5,158	171	-	341	5,670
Depreciation	113	4	-	11	128
Retirements and disposals	(21)	-	-	(3)	(24)
Sale of ownership interest in a subsidiary company (Note 3)	(52)	(3)	-	(2)	(57)
March 31, 2022	5,198	172	-	347	5,717
<b>Net book value</b>					
December 31, 2021	15,112	445	324	336	16,217
March 31, 2022	15,013	438	414	327	16,192

The additions to property, plant and equipment included \$2 million of interest capitalized during construction for the three months ended March 31, 2022 (2021 - \$3 million).

### PIONEER NATURAL GAS PIPELINE

On February 25, 2022, ATCO Gas and Pipelines Ltd., a wholly owned subsidiary of the Company, closed a transaction to transfer a 30 kilometre segment of the Pioneer Natural Gas Pipeline to Nova Gas Transmission Ltd. for \$63 million. This asset was previously recorded as assets held-for-sale in prepaid expenses and other current assets in the consolidated balance sheets. The proceeds from sale are included in other investing activities in the unaudited interim consolidated statements of cash flows.

## 6. SHORT-TERM DEBT

At March 31, 2022, the Company had \$52 million of commercial paper outstanding at an effective interest rate of 0.67 per cent, maturing in April 2022 (December 31, 2021 - \$206 million at an effective interest rate of 0.32 per cent, maturing in January 2022).

The commercial paper is supported by the Company's long-term committed credit facilities.

## 7. EQUITY PREFERRED SHARES

### DIVIDENDS

Cash dividends declared and paid per share for the three months ended March 31 are as follows:

<i>(dollars per share)</i>	2022	2021
<b>Equity preferred shares</b>		
Cumulative Redeemable Preferred Shares		
4.60% Series 1	<b>0.2875</b>	0.2875
2.292% Series 4 <sup>(1)</sup>	<b>0.14325</b>	0.1402
<b>Equity preferred shares to parent company <sup>(2)</sup></b>		
Perpetual Cumulative Second Preferred Shares		
4.60% Series V <sup>(2)</sup>	-	0.2875

(1) Effective June 1, 2021, the annual dividend rate for the Series 4 Preferred Shares was reset at 2.292 per cent for the five-year period from June 1, 2021 to May 31, 2026. Prior to the reset on June 1, 2021, the annual dividend rate was 2.243 per cent.

(2) The 4.60 per cent Series V Preferred Shares were redeemed in August, 2021.

The payment of any dividend is at the discretion of the Board and depends on the financial condition of the Company and other factors.

On April 14, 2022, the Company declared second quarter eligible dividends of \$0.2875 per Series 1 Preferred Share and \$0.14325 per Series 4 Preferred Share.

## 8. CASH FLOW INFORMATION

### ADJUSTMENTS TO RECONCILE EARNINGS TO CASH FLOWS FROM OPERATING ACTIVITIES

Adjustments to reconcile earnings to cash flows from operating activities for three months ended March 31 are summarized below.

	2022	2021
Depreciation and amortization	<b>138</b>	133
Income tax expense	<b>75</b>	40
Contributions by customers for extensions to plant	<b>42</b>	52
Amortization of customer contributions	<b>(14)</b>	(14)
Interest expense	<b>92</b>	91
Income taxes paid	<b>(4)</b>	(22)
Other	<b>(5)</b>	(1)
	<b>324</b>	279

### CASH POSITION

Cash position at March 31 is comprised of:

	2022	2021
Cash	<b>261</b>	127
Short-term advances to parent company	<b>65</b>	65
Cash and cash equivalents	<b>326</b>	192
Bank indebtedness	-	(1)
	<b>326</b>	191

## 9. FINANCIAL INSTRUMENTS

### FAIR VALUE MEASUREMENT

Financial instruments are measured at amortized cost or fair value. Fair value represents the estimated amounts at which financial instruments could be exchanged between knowledgeable and willing parties in an arm's length transaction. Determining fair value requires management judgment. The valuation methods used to determine the fair value of each financial instrument and its associated level in the fair value hierarchy is described below.

Financial Instruments	Fair Value Method
<b>Measured at Amortized Cost</b>	
Cash, short-term advances to parent company, accounts receivable and contract assets, trade accounts receivable from parent and affiliate companies, bank indebtedness, short-term advances from parent company, accounts payable and accrued liabilities, accounts payable to parent and affiliate companies and short-term debt	Assumed to approximate carrying value due to their short-term nature.
Long-term debt	Determined using quoted market prices for the same or similar issues. Where the market prices are not available, fair values are estimated using discounted cash flow analysis based on the Company's current borrowing rate for similar borrowing arrangements (Level 2).

The fair values of the Company's financial instruments measured at amortized cost are as follows:

Recurring Measurements	March 31, 2022		December 31, 2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Financial Liabilities</b>				
Long-term debt	8,401	8,689	8,401	9,921

## 10. SUBSEQUENT EVENT

### REPAYMENT OF LONG-TERM DEBT

On April 1, 2022, the Company repaid \$125 million of 9.92 per cent debentures.