



An **ATCO** Company

CU INC. ANNUAL INFORMATION FORM

FOR THE YEAR ENDED DECEMBER 31, 2022

March 30, 2023

This Annual Information Form (AIF) is meant to help readers understand the business and operations of CU Inc. (our, we, us, or the Company).

Unless otherwise noted, the information contained within this AIF is presented as at December 31, 2022.

The Company is controlled by Canadian Utilities Limited, which in turn is controlled by ATCO Ltd. and its controlling share owners, Sentgraf Enterprises Ltd. and its controlling share owner, the Southern family.

Terms used throughout this AIF are defined in the Glossary at the end of this document.

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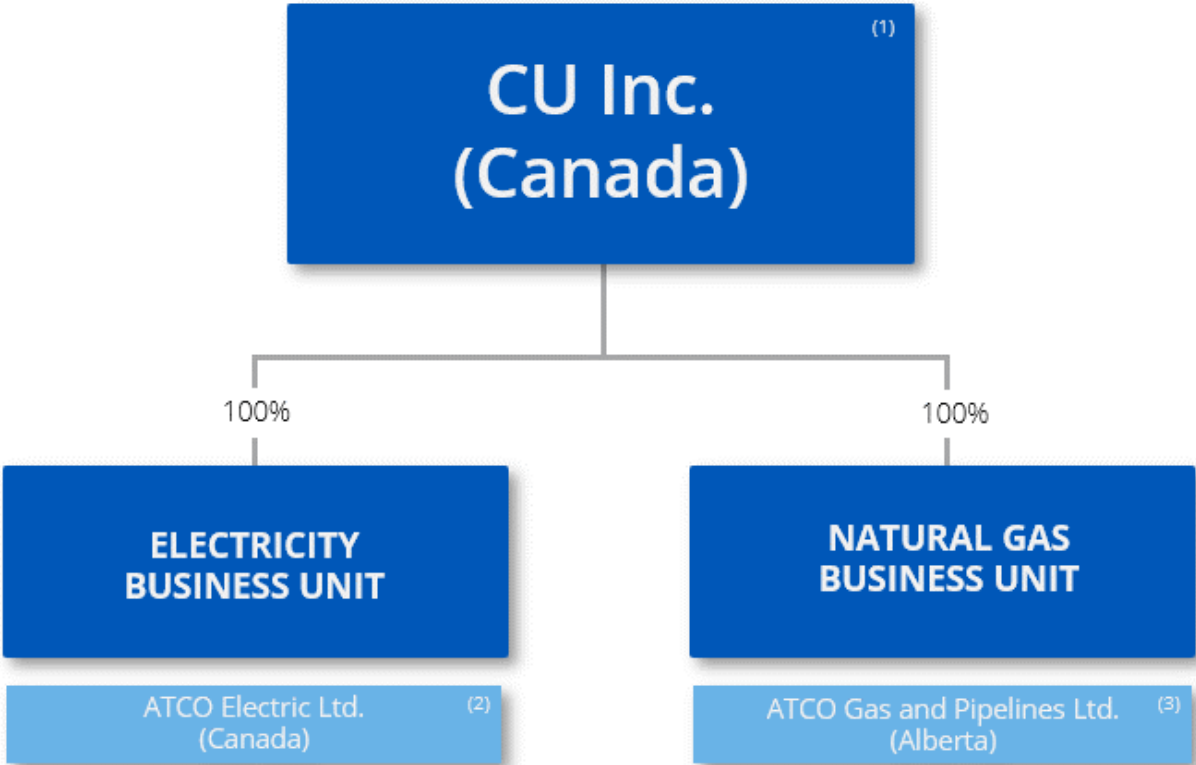
CORPORATE STRUCTURE

CU Inc. was incorporated under the *Canada Business Corporations Act* on March 12, 1999. The address of the head office and registered office of the Company is 4th Floor, West Building, 5302 Forand Street S.W., Calgary, Alberta, T3E 8B4.

SIMPLIFIED INTERCORPORATE RELATIONSHIPS

CU Inc. is a wholly-owned subsidiary of Canadian Utilities Limited, an ATCO company. CU Inc. is an Alberta-based corporation with approximately 3,700 employees and assets of \$18 billion comprised of rate regulated utility operations in natural gas transmission and distribution and electricity transmission and distribution. More information about CU Inc. can be found on the Canadian Utilities Limited website at www.canadianutilities.com.

The following chart includes the names of the Company's principal business units, as well as the principal subsidiaries comprising the business units, and the jurisdictions in which they are governed. The chart also shows the percentages of such subsidiaries' shares the Company beneficially owns, controls or directs, either directly or indirectly.



(1) The organizational chart does not include all of the subsidiaries of the Company. The assets and revenues of excluded subsidiaries in the aggregate did not exceed 20 per cent of the total consolidated assets or total consolidated revenues of the Company as at December 31, 2022.
 (2) ATCO Electric Ltd. includes Electricity Distribution and Electricity Transmission.
 (3) ATCO Gas and Pipelines Ltd. includes Natural Gas Distribution and Natural Gas Transmission.

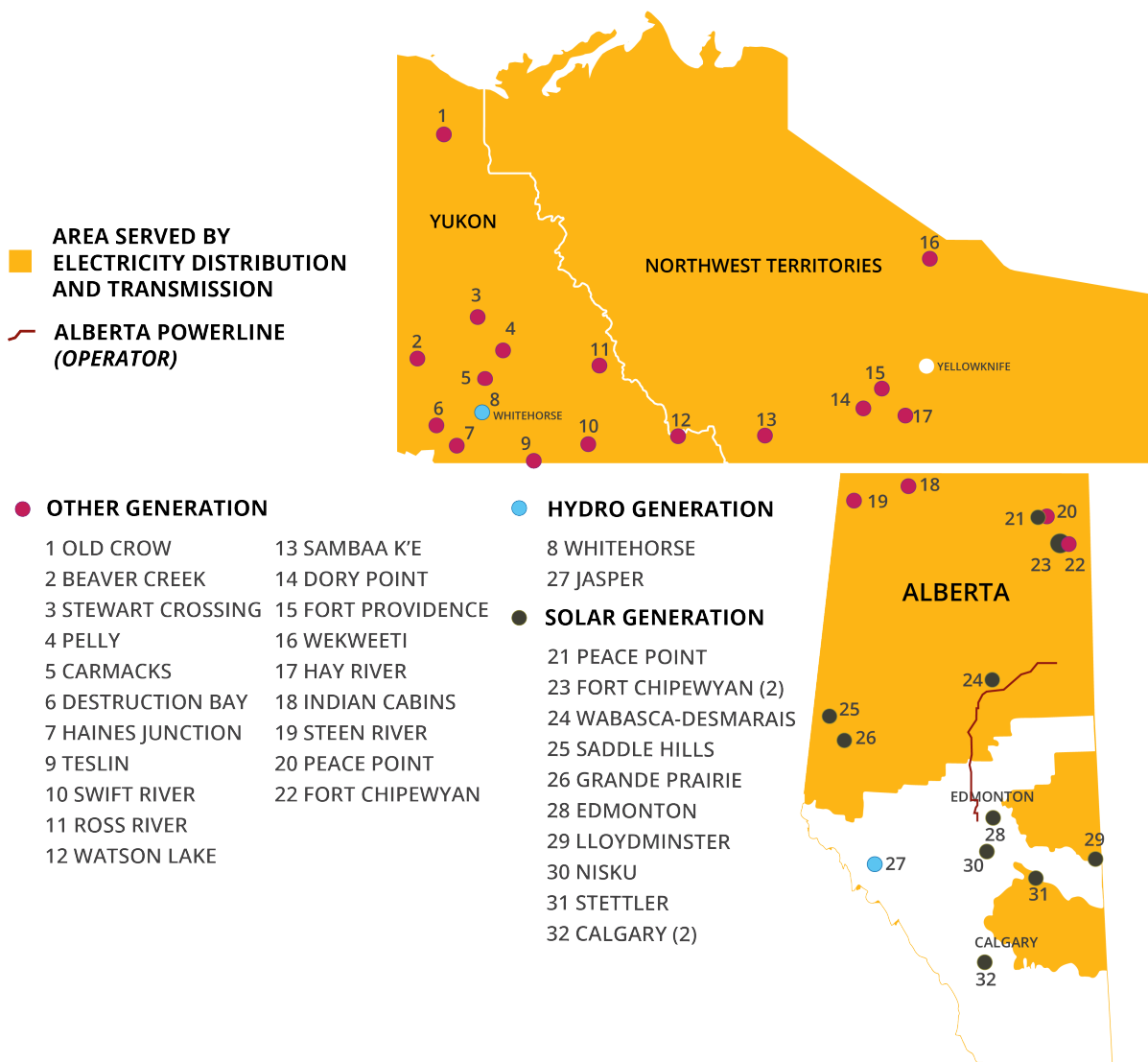
BUSINESS DESCRIPTION

The activities of the Company are conducted through the Utilities' regulated businesses in two business units within western and northern Canada: Electricity, which includes Electricity Distribution and Transmission and Natural Gas, which includes Natural Gas Distribution and Transmission.

ELECTRICITY BUSINESS UNIT

ELECTRICITY DISTRIBUTION AND TRANSMISSION

The following map shows the areas served by Electricity Distribution and Electricity Transmission, as well as the locations of electricity generation owned or operated by Electricity Distribution and Transmission, in western and northern Canada.



Electricity Distribution and Transmission transmit and deliver electricity to approximately 240 communities and rural areas in Northern and Central East Alberta. Among those served are the communities of Drumheller, Lloydminster, Grande Prairie, and Fort McMurray as well as the oil sands areas near Fort McMurray and the heavy oil areas near Cold Lake and Peace River. Electricity utility service is also provided to three communities in Saskatchewan. Electricity Distribution and Transmission is headquartered in Edmonton and has 38 offices throughout its service area.

The Yukon Electrical Company Limited (ATCO Electric Yukon (AEY)) serves 19 communities in the Yukon, including the capital city of Whitehorse, and one community in British Columbia. Northland Utilities Enterprises Ltd. (Northland Utilities) is a 50/50 partnership between a subsidiary of the Company and Denendeh Investments Incorporated, which represents the 27 Dene First Nations of the Northwest Territories. Northland Utilities has two operating divisions: Northland Utilities (NWT) Limited (NWT) and Northland Utilities (Yellowknife) Limited (NUY). NUY and NWT serve nine communities in the Northwest Territories, including the capital city of Yellowknife.

Approximately 665,000 people live in the principal markets for electric utility service by Electricity Distribution and Transmission and its subsidiaries NUY, NWT and AEY. Service is provided to approximately 263,000 customers. Electricity Distribution and Transmission has been assigned approximately 65 per cent of the designated service area within Alberta. This service area contains approximately 14 per cent of the provincial electrical load and 13 per cent of the population.

The average monthly number of customers served by Electricity Distribution and Transmission, NUY, NWT and AEY in 2022 and 2021 is shown below.

	2022		2021	
	Number	%	Number	%
Residential	185,919	71	184,869	71
Commercial	34,960	13	34,771	13
Industrial	9,299	4	9,439	4
Rural, REA and other	32,400	12	32,291	12
Total	262,578	100	261,370	100

Electricity distributed to the various classes of customers in 2022 and 2021 is shown below.

	2022		2021	
	GWh	%	GWh	%
Residential	1,364	11	1,393	11
Commercial	2,325	19	2,264	18
Industrial	8,266	66	8,291	67
Rural, REA and other	534	4	543	4
Total	12,489	100	12,491	100

Electricity Distribution and Transmission, NUY, NWT and AEY own and operate extensive electricity transmission and distribution systems. The systems consist of approximately 11,000-km of transmission lines and approximately 60,000-km of distribution lines. In addition, Electricity Distribution and Transmission deliver power to, and operate approximately 3,500-km of distribution lines owned by Rural Electrification Associations (REA).

Electricity Distribution and Transmission, AEY, NUY and NWT distribute electricity to incorporated communities under the authority of franchises or by-laws. In rural areas, electricity is distributed by approvals, permits or orders under applicable statutes.

The franchises under which service is provided in incorporated communities in Alberta and the Northwest Territories have been granted for up to 20 years. These franchises are exclusive to Electricity Distribution and Transmission, NUY or NWT, and are renewable by agreement. If any franchise is not renewed, it remains in effect until either party, with the approval of the regulatory authority, terminates it on six months written notice.

On termination of a franchise, the municipality may purchase the facilities used under that franchise at a price to be agreed on or, failing agreement, to be determined by the regulatory authority. The franchise under which service is provided in the Yukon was granted under the *Public Utilities Act* (Yukon) and has no set expiry date.

Under the *Electric Utilities Act* (Alberta) (EUA), wholesale tariffs for electricity transmission must be approved by the Alberta Utilities Commission (AUC). Transmission tariffs allow any owner of a generating unit to access the Alberta transmission system 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.

Transmission costs are equalized by having each owner of transmission facilities charge its costs to the Alberta Electric System Operator (AESO). The AESO then aggregates these costs and charges a common transmission rate to all transmission system users.

The Transmission Regulation under the EUA stipulates that new transmission projects will be assigned to transmission facility owners based on the service areas of the distribution companies they have been historically affiliated with. Facilities ownership will change at service area boundaries, except where, in the AESO's opinion, only a small portion of the project is in another service area. This rule applies to all transmission projects except inter-provincial inter-tie projects and those deemed "critical" by the Government of Alberta.

Alberta PowerLine

CU Inc. is the operator of Alberta PowerLine (APL) under a 35-year contract. APL owns a 500-km, 500-kV electricity transmission line running from Wabamun to Fort McMurray Alberta. APL is 60 per cent owned by TD Asset Management Inc. for and on behalf of TD Greystone Infrastructure Fund (Global Master) L.P., and IST3 Investment Foundation acting on behalf of its investment group IST3 Infrastruktur Global. The other 40 per cent is owned by seven Indigenous communities in Alberta: Athabasca Chipewyan First Nation, Bigstone Cree Nation, Gunn Metis Local 55, Mikisew Cree First Nation, by way of its business arm, the Mikisew Group of Companies, Paul First Nation, Sawridge First Nation and Sucker Creek First Nation.

Electricity Generation

Hydroelectric, Solar Generation and Diesel

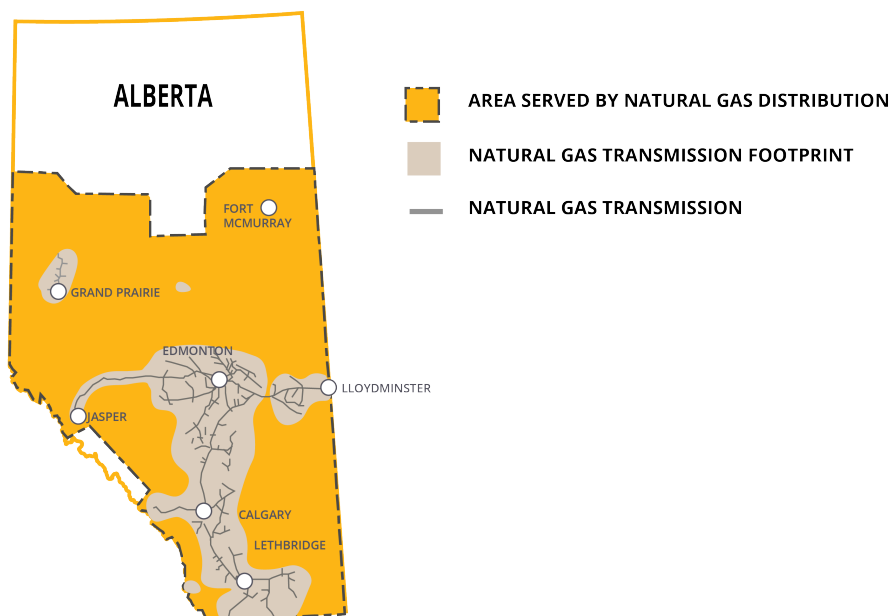
Electricity Distribution and Transmission owns or operates 2 hydroelectric plants, 12 solar sites, and 20 diesel-generating plants with an aggregate nameplate capacity of 47-MW in Alberta, the Yukon and Northwest Territories.

The hydroelectric assets include one facility in Whitehorse and one in Jasper that each generate 1.4-MW of hydroelectric power. The solar sites in Alberta include rooftop and ground mounted solar sites including the Fort Chipewyan Solar Project, the largest off-grid solar project in Canada, and Old Crow Solar project, the most northerly off-grid solar project. The diesel sites are spread throughout the Yukon, Northwest Territories and Alberta and serve remote communities that are not connected to the grid.

CU Inc.'s Electricity Distribution and Transmission continue to advance their strategy to enable renewable energy generation and delivery while supporting their customers' energy needs. In August 2022, the Government of Northwest Territories announced it is providing Northland Utilities Enterprises up to \$300,000 to support the installation of two public EV fast-charger stations in Yellowknife. In December 2022, ATCO Electric Yukon, a subsidiary of CU Inc., and Copper Niisüü Limited Partnership finalized landmark Electricity Purchase Agreements to underpin the Saa Sè Energy Project in Beaver Creek and the wind facility project in Burwash Landing to enhance energy autonomy for both the White River and Kluane First Nations. More information is presented in the Company's MD&A.

NATURAL GAS BUSINESS UNIT

The following map shows the areas served by Natural Gas Distribution and Natural Gas Transmission in Alberta.



NATURAL GAS DISTRIBUTION

Natural Gas Distribution delivers natural gas throughout Alberta and in the Lloydminster area of Saskatchewan and serves approximately 1.3 million customers in nearly 300 Alberta communities.

Natural Gas Distribution's principal markets for distributing natural gas are in Edmonton, Calgary, Airdrie, Fort McMurray, Grande Prairie, Lethbridge, Lloydminster, Red Deer, Spruce Grove, St. Albert and Sherwood Park. These communities have a combined population of approximately 3.2 million people. Approximately 76 per cent of Natural Gas Distribution's customers were located in these 11 communities in 2022. Also served are 279 smaller communities as well as rural areas with a combined population of approximately 770,000.

The average monthly number of customers served by Natural Gas Distribution in 2022 and 2021 is shown below.

	2022		2021	
	Number	%	Number	%
Residential	1,167,506	92	1,151,862	92
Commercial	102,958	8	102,021	8
Industrial	340	—	343	—
Other	737	—	505	—
Total	1,271,541	100	1,254,731	100

The quantity of natural gas distributed by Natural Gas Distribution in 2022 and 2021 is shown below.

	2022		2021	
	PJ	%	PJ	%
Residential	127.7	46	127.6	47
Commercial	135.5	49	129.6	48
Industrial	13.1	5	12.9	5
Other	0.2	—	0.3	—
Total	276.5	100	270.4	100

Natural Gas Distribution owns and operates approximately 41,500-km of distribution mains. It also owns service and maintenance facilities in major centres in Alberta.

Natural Gas Distribution delivers natural gas in incorporated communities under the authority of franchises or by-laws and in rural areas under approvals, permits or orders issued through applicable statutes. It currently has 169 franchise agreements with communities throughout Alberta. These franchise agreements detail the rights granted to Natural Gas Distribution and its obligations to deliver natural gas services to consumers in the municipality.

All franchises are exclusive to Natural Gas Distribution and are renewable by agreement for additional periods of up to 20 years. If any franchise is not renewed, it remains in effect until either party, with the approval of the prevailing regulatory authority, terminates it on six months written notice. On termination, the municipality may purchase the facilities used in connection with that franchise at a price to be agreed on or, failing agreement, to be determined by the prevailing regulatory authority.

In Edmonton, distribution of natural gas is carried on under the authority of an exclusive franchise. Natural Gas Distribution has a 20-year franchise agreement with Edmonton that will expire on July 21, 2030. The franchises under which service is provided in other incorporated communities in Alberta have been granted for up to 20 years.

In Calgary, the distribution of natural gas operates under a municipal by-law. The rights of Natural Gas Distribution under this by-law, while not exclusive, are unrestricted as to term. The by-law does not confer any right for Calgary to acquire the facilities used in providing the service.

Hydrogen Blending Project

The advancement of hydrogen production in the province creates additional opportunities related to blending within existing natural gas infrastructure. CU Inc. has proposed projects that reinforce the safe use of hydrogen with the intent to eventually leverage Alberta's existing carbon capture and sequestration infrastructure to store emissions associated with the production process. These opportunities will contribute to system decarbonization and help support provincial and federal emissions targets.

NATURAL GAS TRANSMISSION

Natural Gas Transmission owns and operates natural gas transmission pipelines and facilities in Alberta. The business receives natural gas on its pipeline system from various gas processing plants as well as from connections with other natural gas transmission systems. The business transports the gas to end users within the province such as local distribution utilities and industrial customers, or to other transmission pipeline systems, primarily for export out of the province.

Natural Gas Transmission owns and operates an extensive natural gas transmission system. The system currently consists of approximately 9,100-km of pipelines, 16 compressor sites, approximately 3,700 receipt and delivery points, and a salt cavern natural gas storage peaking facility near Fort Saskatchewan, Alberta. The system has 183 producer receipt points, one interconnection with Alliance Pipeline, and one interconnection with Many Islands Pipelines. Peak delivery capability of the natural gas transmission system is 4.85 billion cubic feet per day.

Included in the natural gas transmission system is the 101-km pipeline from the Pioneer Pipeline acquisition in 2021. This pipeline is facilitating the conversion of coal power plants to cleaner burning natural gas. As part of the acquisition, consistent with the geographic areas defined in the Integration Agreement, Natural Gas Transmission transferred a 30-km segment of pipeline to Nova Gas Transmission Ltd. (NGTL) that is located in the NGTL footprint. The transfer received approval from the Canada Energy Regulator on December 22, 2021, and the transfer was completed on February 25, 2022. More information is presented in the Company's MD&A.

REGULATORY INFORMATION

The regulatory framework and recent developments are described in the "Utilities Regulatory Information" section in CU Inc.'s MD&A and is incorporated herein by reference. The MD&A may be found on SEDAR at www.sedar.com.

THREE YEAR HISTORY

Summarized below are the major events, acquisitions, dispositions, and conditions that have influenced the Company's development during the past three years.

REVENUE SUMMARY

Revenues and earnings in the Utilities business are driven by capital expenditures. Capital spending is the main contributor to rate base growth. Rate base growth is a primary driver of revenue and earnings growth. Utilities has invested over \$2.8 billion in capital over the last three years.

Each business unit's contribution to the Company's consolidated revenues is shown in the chart below.

Revenues ⁽¹⁾	2022		2021		2020	
	(\$ millions)	%	(\$ millions)	%	(\$ millions)	%
Electricity	1,464	46	1,376	49	1,356	50
Natural Gas	1,692	54	1,452	51	1,377	50
Corporate & Other and Intersegment Eliminations	(5)	—	(5)	—	(3)	—
Total	3,151	100	2,823	100	2,730	100

(1) Data has been extracted from Note 3 ("Segmented Information") of the 2022 Consolidated Financial Statements which are prepared in accordance with International Financial Reporting Standards (IFRS). The reporting currency is the Canadian dollar.

The COVID-19 pandemic disrupted financial and commodity markets, supply chains, and affected production and sales across different industries in private and public sectors. In 2022, higher revenues in the Electricity Distribution and Natural Gas Distribution businesses were a result of rate relief provided to customers in 2021 in light of COVID-19 and subsequently the AUC decision to maximize the collection of 2021 deferred revenues in 2022.

CU Inc.'s operations, financial position and performance were not significantly impacted by the COVID-19 pandemic over the last three years. This is primarily due to the nature of the Company's operations which are considered to be essential services.

ELECTRICITY BUSINESS UNIT

CAPITAL EXPENDITURES

Total capital expenditures for Electricity in the last three years is provided in the table below.

(\$ millions)	Total	Year Ended December 31		
		2022	2021	2020
Electricity Distribution	733	282	230	221
Electricity Transmission	549	284	120	145
Total	1,282	566	350	366

Electricity Distribution and Transmission

Capital expenditures in utility infrastructure in Alberta over the past three years has included the replacement of aging infrastructure, grid modernization, new customer connections and off-diesel initiatives.

NATURAL GAS BUSINESS UNIT

CAPITAL EXPENDITURES

Total capital expenditures for Natural Gas in the last three years is provided in the table below.

(\$ millions)	Total	Year Ended December 31		
		2022	2021	2020
Natural Gas Distribution	860	329	294	237
Natural Gas Transmission	708	143	362	203
Total	1,568	472	656	440

Natural Gas Distribution and Transmission

Capital expenditures in Natural Gas Distribution and Transmission over the past three years has been focused on the replacement of aging infrastructure, installation of new customer connections as well as the Urban Pipelines Replacement Program and the Mains Replacement Program, and facilitating coal to gas generating conversion of power plants.

Urban Pipelines Replacement (UPR) Program

The UPR program installed 140-km of new high-pressure pipelines within the Transportation Utility Corridor within Edmonton and Calgary to address safety, reliability and future growth. In addition, 200-km of pipelines were transferred from Natural Gas Transmission to Natural Gas Distribution, and 110-km of pipelines were abandoned. Natural Gas Distribution and Natural Gas Transmission will have invested \$914 million in the 12-year UPR program which had all major components completed in 2022. Final clean up and project close outs remain to be completed in 2023.

Mains Replacement Program

Natural Gas Distribution has two mains replacement programs which were approved in 2011, the plastic mains replacement and the steel mains program. The plastic mains replacement includes 8,000-km of polyvinyl chloride (PVC) and early generation polyethylene (PE) pipe that are planned for replacement by 2031. Natural Gas Distribution has replaced 2,407-km of PVC and PE pipe since the approval of this program. The steel mains program includes 9,000-km of steel pipe that is monitored and continually evaluated for replacement based on the performance history. Natural Gas Distribution has replaced 365-km of steel pipe since the approval of this program.

Pembina-Keephills

In the second quarter of 2020, Natural Gas Transmission completed and placed in-service the \$230 million Pembina-Keephills transmission pipeline. The 59-km high-pressure natural gas pipeline supports coal-to-gas conversion of power producers in the Genesee and surrounding areas of Alberta with the capacity to deliver up to 550-TJ per day.



Pembina-Kepphills transmission pipeline construction, near Wabamun Lake, Alberta

Pioneer Pipeline

On September 30, 2020, Natural Gas Transmission entered into an agreement to acquire the 131-km Pioneer Pipeline from Tidewater Midstream & Infrastructure Ltd. (Tidewater) and its partner TransAlta Corporation (TransAlta) for a purchase price of \$265 million. The natural gas pipeline runs from the Drayton Valley area to the Wabamun area west of Edmonton, Alberta. Consistent with the geographic areas defined in the Integration Agreement, Natural Gas Transmission transferred to Nova Gas Transmission Ltd. the 30-km segment of pipeline that is located in the NGTL footprint.

The transaction to acquire the Pioneer Pipeline closed in 2021. The transfer to NGTL received approval from the Canada Energy Regulator on December 22, 2021, and on February 25, 2022, Natural Gas Transmission completed the transfer to NGTL of the 30-km segment of pipeline located in the NGTL footprint for \$63 million.

CORPORATE & OTHER

Executive Appointment

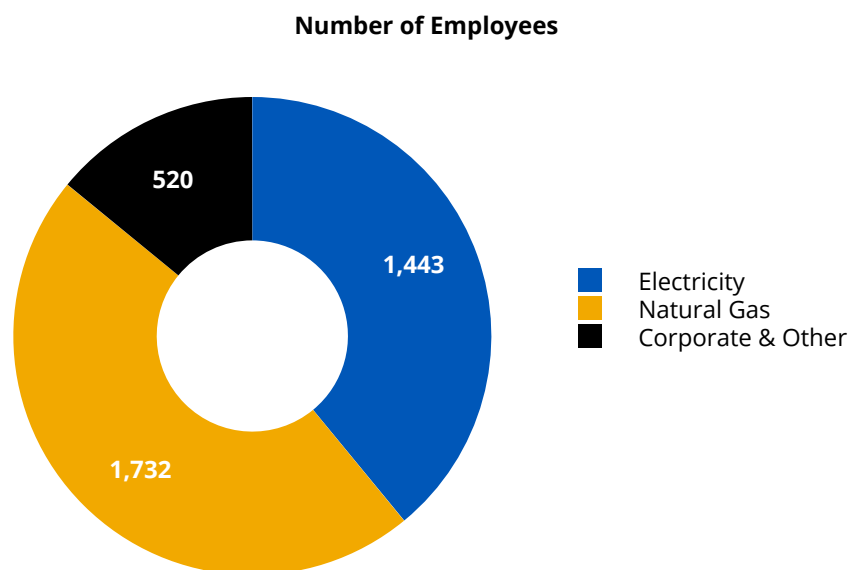
On October 1, 2021, the Board of Directors appointed Brian Shkrobot to the position of Executive Vice President & Chief Financial Officer.

Wipro Master Service Agreement

In 2020, ATCO Technology Management Ltd., a wholly owned subsidiary of 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 ten-year MSAs expiring in December 2024. The transition of the managed IT services from Wipro to Kyndryl commenced on February 1, 2021 and was complete by the end of 2021.

EMPLOYEE INFORMATION

At December 31, 2022, the Company had 3,695 employees. The accompanying chart represents the employee numbers in each segment.



SUSTAINABILITY, CLIMATE CHANGE AND ENERGY TRANSITION

Sustainability, Climate Change and Energy Transition is described in the "Sustainability, Climate Change and Energy Transition" section in CU Inc.'s MD&A and is incorporated herein by reference. The MD&A may be found on SEDAR at www.sedar.com. ATCO's 2022 Sustainability Report will be published in May 2023.

BUSINESS RISKS

Business risks are described in the "Utilities Performance" and "Business Risks and Risk Management" sections in CU Inc.'s MD&A and are incorporated herein by reference. The MD&A may be found on SEDAR at www.sedar.com.

DIVIDENDS

Cash dividends declared during the past three years for all series and classes of shares were as follows.

<i>(Canadian dollars per share)</i>	Date of Issue	2022	2021	2020
Series Preferred Shares				
Series 1	Apr 18, 2007	1.15	1.15	1.15
Series 4 ⁽¹⁾	Dec 2, 2010	0.57	0.57	0.56
Class A and Class B Shares		85.71	64.32	72.93

(1) Effective June 1, 2021, the annual dividend rate for the Series 4 Preferred Shares was reset at 2.29 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 2.24 per cent.

CAPITAL STRUCTURE

SHARE CAPITAL

The share capital of the Company at March 30, 2023 is as shown below.

Share Description	Authorized	Outstanding
Series Preferred Shares	Unlimited	7,600,000
Class A shares	Unlimited	3,570,322
Class B shares	Unlimited	2,188,262

All of the Class A and Class B shares are owned by Canadian Utilities Limited.

SERIES PREFERRED SHARES

An unlimited number of Series Preferred Shares are issuable in series, each series consisting of such number of shares and having such provisions attaching thereto as may be determined by the directors. The Series Preferred Shares as a class have, among others, provisions to the following effect:

- i. The Series Preferred Shares are, with respect to priority in payment of dividends and in the distribution of assets in the event of liquidation, dissolution or winding up of the Company, entitled to preference over the Class A shares and the Class B shares and any other shares of the Company ranking junior to the Series Preferred Shares. The Series Preferred Shares may also be given such other preference over the Class A shares and the Class B shares and any other junior shares as may be determined for any series authorized to be issued.
- ii. The owners of the Series Preferred Shares are not entitled as such (except as provided in any series) to any voting rights nor to receive notice of or to attend share owners' meetings unless dividends on the Series Preferred Shares of any series are in arrears to the extent of eight quarterly dividends or four half-yearly dividends, as the case may be, whether or not consecutive. Until all arrears of dividends have been paid, such owners will be entitled to receive notice of and to attend all share owners' meetings at which directors are to be elected (other than separate meetings of owners of another class of shares) and to one vote in respect of each Series Preferred Share held.
- iii. The class provisions attaching to the Series Preferred Shares may be amended with the written approval of all the owners of the Series Preferred Shares outstanding or by at least two-thirds of the votes cast at a meeting of the owners of such shares duly called for the purpose and at which a quorum is present.

The following Series Preferred Shares are currently outstanding:

	Stated Value	Shares	Amount (\$ millions)
Series Preferred Shares:			
4.60% Series 1	\$25.00	4,600,000	115
2.24% Series 4	\$25.00	3,000,000	75
		7,600,000	190

SERIES PREFERRED SHARE REDEMPTION

Series 1 Preferred Shares

The Series 1 Preferred Shares became redeemable at the option of the Company beginning on June 1, 2012 at the stated value plus a 4 per cent premium per share for the following 12 months plus accrued and unpaid dividends. The redemption premium declined by 1 per cent in each succeeding 12-month period until June 1, 2016.

Series 4 Preferred Shares

The Series 4 Preferred Shares became redeemable at the option of the Company on June 1, 2016, and are redeemable on June 1 of every fifth year thereafter at the stated value per share plus accrued and unpaid dividends. If not redeemed, owners may elect to convert any or all of their Series 4 Preferred Shares into an equal number of

Cumulative Redeemable Preferred Shares Series 5 on June 1, 2026, and on June 1 of every fifth year thereafter. Owners of the Series 5 Preferred Shares will be entitled to receive floating rate cumulative preferential cash dividends, as and when declared by the Board, payable quarterly at a rate equal to the then current 3-month Government of Canada Treasury Bill yield plus 1.36 per cent. On June 1, 2026 and on June 1 of every fifth year thereafter (Series 5 Conversion Date), holders of the Series 5 Preferred Shares may elect to convert any or all of their Series 5 Preferred Shares back into an equal number of Series 4 Preferred Shares. The Company may redeem the Series 5 Preferred Shares in whole or in part at \$25.00 on a Series 5 Conversion Date or at \$25.50 on any other date.

CLASS A SHARES AND CLASS B SHARES

The owners of the Class A shares and the Class B shares are entitled to share equally, on a share for share basis, in all dividends declared by the Company on either of such classes of shares as well as the remaining property of the Company upon dissolution. The owners of the Class B shares are entitled to vote and to exchange at any time each share held for one Class A share.

If a qualifying offer to purchase Class B shares is made to all, or substantially all owners of Class B shares, and such offer is not made concurrently to owners of Class A shares, then owners of Class A shares have the ability to convert their Class A shares into Class B shares on a one-for-one basis which Class B shares will, as a result of such conversion, be automatically tendered to the offer. Any converted for Class B shares shall be automatically converted back into Class A shares on a one-for-one basis if the owner withdraws the conversion during the term of the offer or pursuant to the terms of the offer such converted for Class B shares are not taken up.

PREFERRED SHARE RESTRICTIONS ON DIVIDEND DISTRIBUTIONS

The Company's articles contain provisions for each series of preferred shares that would restrict the declaration or payment of dividends on Class A shares or Class B shares, or any other series of preferred shares ranking junior, unless all outstanding dividends up to and including the dividends payable on the last respective dividend payment date have been paid or set apart for payment.

LONG-TERM DEBT

The Company has issued unsecured debentures. Details with respect to the issued and outstanding long-term debt can be found in Note 12 of the 2022 Consolidated Financial Statements. These debentures are not listed or quoted on any exchange. The Consolidated Financial Statements may be found on SEDAR at www.sedar.com.

CREDIT FACILITIES

At December 31, 2022, CU Inc. and its subsidiaries had the following lines of credit.

<i>(\$ millions)</i>	Total	Used	Available	
Long-term committed		900	—	900
Uncommitted		128	66	62
Total		1,028	66	962

Of the \$1,028 million in total lines of credit, \$128 million was in the form of uncommitted credit facilities with no set maturity date. The other \$900 million in credit lines was committed, with maturities between 2024 and 2026, and may be extended at the option of the lenders. The majority of the credit lines are provided by Canadian banks. Details with respect to the credit facilities can be found in Note 12 of the 2022 Consolidated Financial Statements. The Consolidated Financial Statements may be found on SEDAR at www.sedar.com.

CREDIT RATINGS

Credit ratings are intended to provide investors with an independent measure of the credit quality of an issue of securities. The ratings indicate the likelihood of payment and an issuer's capacity and willingness to meet its financial commitment on an obligation. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the credit rating organization.

As is customary, the Company makes payments to the credit ratings organizations for the assignment of ratings as well as other services. The Company expects to make similar payments in the future.

Credit ratings are important to the Company's financing costs and ability to raise funds. The Company intends to maintain strong investment grade credit ratings in order to provide efficient and cost-effective access to funds required for operations and growth.

The following table shows the current credit ratings assigned to CU Inc.

	DBRS	S&P	Fitch
CU Inc.			
Issuer	A (high)	A-	A-
Senior unsecured debt	A (high)	A-	A
Commercial paper	R-1 (low)	A-1 (low)	F2
Preferred shares	PF2 (high)	P-2	BBB+

On March 17, 2022, Fitch Ratings assigned a first-time issuer rating of 'A-' with a stable outlook to CU Inc.

On August 2, 2022, DBRS Limited affirmed its 'A (high)' long-term corporate credit rating and stable outlook on CU Inc.

On August 4, 2022, S&P Global Ratings affirmed its 'A-' long-term issuer credit rating and stable outlook on CU Inc.

ISSUER CREDIT RATINGS AND LONG-TERM DEBT

An 'A' issuer rating by DBRS is the third highest of ten categories. An issuer rated 'A' is of good credit quality. The capacity for the payment of financial obligations is substantial, but of lesser credit quality than 'AA'. A-rated issuers may be vulnerable to future events, but qualifying negative factors are considered manageable. Each rating category other than 'AAA' and 'D' contains the subcategories 'high' and 'low'. The absence of either a 'high' or 'low' designation indicates the rating is in the 'middle' of the category.

An 'A' issuer rating by S&P is the third highest of ten categories. An entity rated 'A' by S&P has a strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than an entity in higher-rated categories. Ratings from 'AA' to 'CCC' may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

An 'A' rating by Fitch is the third highest of eleven categories. An 'A' rating denotes expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings. For ratings 'AA' through 'CCC' levels Fitch may use modifiers, a plus or a minus sign may be appended to a rating to denote relative status within major rating categories, indicating relative differences of probability of default or recovery for issues.

COMMERCIAL PAPER AND SHORT-TERM DEBT CREDIT RATINGS

An 'R-1 (low)' rating by DBRS is the lowest subcategory in the highest of six categories and is granted to short-term debt of good credit quality. The capacity for the payment of short-term financial obligations as they fall due is substantial. Overall strength is not as favourable as higher rating subcategories and may be vulnerable to future events, but qualifying negative factors are considered manageable. Rating categories 'R-1' and 'R-2' are denoted by the subcategories 'high', 'middle', and 'low'.

An 'A-1 (Low)' rating by S&P is the third highest of eight categories in its Canadian commercial paper ratings scale. A short-term obligation rated 'A-1 (Low)' is slightly more susceptible to the adverse effects of changes in

circumstances and economic conditions than obligations in higher rating categories. However, the obligor's capacity to meet its financial commitments on the obligation is satisfactory.

An 'F2' rating by Fitch is the second highest of seven categories. 'F2' indicates a good capacity for timely payment of financial commitments relative to other issuers or obligations in the same country or monetary union. However, the margin of safety is not as great as in the case of the higher ratings.

PREFERRED SHARE CREDIT RATINGS

A 'PFD-2' rating by DBRS is the second highest of six categories granted by DBRS. Preferred shares rated in this category are generally of good credit quality. Protection of dividends and principal is still substantial, but earnings, the balance sheet, and coverage ratios are not as strong as 'PFD-1' rated companies. Each rating category is denoted by the subcategories 'high' and 'low'. The absence of either a 'high' or 'low' designation indicates the rating is in the 'middle' of the category.

A 'P-2' rating by S&P is the second highest of eight categories S&P uses in its Canadian preferred share rating scale. An obligation rated 'P-2' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to weaken the obligor's capacity to meet its financial commitments on the obligation. A 'high' or 'low' designation shows relative standing within a rating category. The absence of either a 'high' or 'low' designation indicates the rating is in the 'middle' of the category.

A 'BBB' rating by Fitch is the fourth highest of eleven categories. A 'BBB' rating indicates that expectations of default risk are currently low. The capacity for payment of financial commitments is considered adequate, but adverse business or economic conditions are more likely to impair this capacity. For ratings 'AA' through 'CCC' levels Fitch may use modifiers, a plus or a minus sign may be appended to a rating to denote relative status within major rating categories, indicating relative differences of probability of default or recovery for issues.

MARKET FOR SECURITIES OF THE COMPANY

The Company's Cumulative Redeemable Preferred Shares Series 1 and Series 4 are listed on the Toronto Stock Exchange (TSX).

The following table sets forth the high and low prices and volume of the Company's shares traded on the TSX under the symbols CIU.PR.A for Series 1 shares and CIU.PR.C for Series 4 shares, during 2022.

2022	Series 1			Series 4		
	High (\$)	Low (\$)	Volume	High (\$)	Low (\$)	Volume
January	24.70	24.07	31,923	18.95	16.67	47,230
February	25.10	23.01	15,552	17.25	16.00	40,124
March	25.00	22.26	42,658	16.55	15.50	12,042
April	22.52	19.51	130,840	18.95	14.77	11,930
May	20.79	19.25	21,398	15.00	13.88	4,400
June	20.90	19.11	29,486	15.00	14.55	25,363
July	20.34	19.11	91,408	18.95	14.20	19,150
August	23.00	19.35	26,494	15.91	14.20	7,241
September	19.75	17.91	32,488	14.45	13.52	10,982
October	18.50	17.11	178,192	14.56	13.10	46,792
November	18.07	16.72	71,876	13.50	12.25	76,800
December	18.40	17.62	88,308	13.80	12.35	12,553

DIRECTORS AND EXECUTIVE OFFICERS

DIRECTORS ⁽¹⁾

Name, Province or State and Country of Residence	Position	Position Held and Principal Occupation	Director Since
R.T. Booth ⁽²⁾ Alberta, Canada	Director	Corporate Director	2014
L.M. Charlton ⁽²⁾ Alberta, Canada	Director	Corporate Director	2008
R.J. Normand ⁽²⁾ Alberta, Canada	Director	Corporate Director	2020
N.C. Southern Alberta, Canada	Chair & Chief Executive Officer Director	Chair & Chief Executive Officer, ATCO Ltd. and Canadian Utilities Limited	1999
L.A. Southern-Heathcott Alberta, Canada	Vice Chair & Director	President & Chief Executive Officer of Spruce Meadows Ltd.	2017

(1) All directors hold office until their successors are elected on an annual basis.

(2) Member of the Audit Committee.

EXECUTIVE OFFICERS (IN ALPHABETICAL ORDER)

Name, Province or State and Country of Residence	Position	Principal Occupation
M.L. Bayley Alberta, Canada	President, ATCO Electric	President, ATCO Electric Ltd.
K.M. Brunner Alberta, Canada	Senior Vice President, General Counsel & Corporate Secretary	Senior Vice President, General Counsel & Corporate Secretary, ATCO Ltd. and Canadian Utilities Limited
C.R. Jackson Alberta, Canada	Senior Vice President, Finance, Treasury, Risk & Sustainability	Senior Vice President, Finance, Treasury, Risk & Sustainability, ATCO Ltd. and Canadian Utilities Limited
R.A. Penrice Alberta, Canada	Executive Vice President, Corporate Services	Executive Vice President, Corporate Services, ATCO Ltd. and Canadian Utilities Limited
D.J. Sharpe Alberta, Canada	President, ATCO Gas and Pipelines	President, ATCO Gas and Pipelines Ltd.
B.P. Shkrobot Alberta, Canada	Executive Vice President & Chief Financial Officer	Executive Vice President & Chief Financial Officer, Canadian Utilities Limited
N.C. Southern Alberta, Canada	Chair & Chief Executive Officer	Chair & Chief Executive Officer, ATCO Ltd. and Canadian Utilities Limited

POSITIONS HELD BY EXECUTIVE OFFICERS WITHIN THE PRECEDING FIVE YEARS

All of the executive officers have been engaged for the last five years in the indicated principal occupations, or in other capacities with the companies or firms referred to, or with their affiliates or predecessors, except for Mr. Brunner and Ms. Penrice:

- Mr. Brunner was appointed as Vice President, Corporate Secretary in September 2021 and was later promoted to Senior Vice President, General Counsel & Corporate Secretary in November 2022. Prior to joining the Company, he was Vice President, General Counsel & Corporate Secretary at Seven Generations Energy Ltd. Mr. Brunner was with Seven Generations from February 2015 to April 2021.
- Ms. Penrice was appointed Executive Vice President, Corporate Services in January 2020. Prior to joining the Company, Ms. Penrice was Interim Chief Executive Officer for Sears Canada Inc. from August 2017 until

September 2018, and Executive Vice President & Chief Operations Officer from February 2016 until August 2017.

DIRECTORS' AND EXECUTIVE OFFICERS' INTEREST IN THE COMPANY

Except as otherwise stated under the heading "Voting Securities and Principal Holder Thereof", at December 31, 2022, none of the Company's directors and executive officers, as a group, beneficially owned, or controlled or directed, directly or indirectly, by corporate holdings or otherwise, any of the outstanding Class B shares of the Company.

EXECUTIVE COMPENSATION

Refer to Appendix 1 for the Compensation Discussion and Analysis.

DIRECTORS' COMPENSATION

In 2022, non-employee directors of the Company were paid annual retainers for acting as directors as shown in the table below.

Directors	Annual Retainer	Audit Member	Director Totals
R.T. Booth	\$6,500	\$6,000	\$12,500
L.M. Charlton	\$6,500	\$4,000	\$10,500
R.J. Normand	\$6,500	\$4,000	\$10,500
L.A. Southern-Heathcott	\$6,500	—	\$6,500
Total Remuneration	\$26,000	\$14,000	\$40,000

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No director or executive officer of the Company, person or company that beneficially owns, or controls or directs, directly or indirectly, greater than 10 per cent of the Company's Class B shares, nor any associate or affiliate of the foregoing, has, or has had, any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect the Company.

CORPORATE CEASE TRADE ORDERS, BANKRUPTCIES OR SANCTIONS

Corporate Cease Trade Orders

Except as otherwise disclosed below, no director, executive officer or controlling security holder of the Company is, as at the date of this AIF, or has been, within the past 10 years before the date hereof, a director or executive officer of any other issuer that, while that person was acting in that capacity:

- i. was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days; or
- ii. was subject to an event that resulted, after the person ceased to be a director or executive officer, in the Company being the subject of a cease trade or similar order or an order that denied the relevant company access to an exemption under securities legislation for a period of more than 30 consecutive days; or
- iii. within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Nancy C. Southern was until her resignation on August 24, 2020, a director and President of Swizzlesticks Enterprises Ltd., a private Alberta corporation operating a salon and spa in Calgary, Alberta, which on August 24, 2020, commenced proposal proceedings pursuant to the *Bankruptcy and Insolvency Act (Canada)* by filing a notice of intention to make a proposal. The corporation was declared bankrupt and a trustee was appointed on August 25, 2020. An application for the discharge of the trustee was approved on December 14, 2021.

Ms. Penrice served as Executive Vice President & Chief Operating Officer of Sears Canada Inc. (Sears) when, on June 22, 2017, Sears announced that it and certain of its subsidiaries (Sears Group) had been granted an order from the Ontario Superior Court of Justice (Commercial List) (the Court) that, among other things, granted the Sears Group protection from their creditors under the *Companies' Creditors Arrangement Act* (Canada). On June 29, 2017, Sears received notice that the Continued Listings Committee of the TSX had determined to delist Sears' common shares effective at the close of market on July 28, 2017. Sears did not appeal the decision. On October 16, 2017, Sears announced that it had received approval from the Court to proceed with a liquidation of all of its inventory and furniture, fixtures and equipment located at its remaining stores.

Personal Bankruptcies

No director, executive officer or controlling security holder of the Company has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangements or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold such person's assets.

Penalties or Sanctions

No current director, executive officer or controlling security holder of the Company has:

- i. been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, other than penalties for late filing of insider reports; or
- ii. been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

CONFLICTS OF INTEREST

Circumstances may arise where members of the Board serve as directors or officers of corporations which are in competition to the interests of the Company. No assurances can be given that opportunities identified by any such member of the Board will be provided to the Company. However, the Company's procedures provide that each director and executive officer must comply with the disclosure requirements of the *Canada Business Corporations Act* regarding any material interest. If a declaration of material interest is made, the declaring director shall not vote on the matter if put to a vote of the Board. In addition, the declaring director and executive officer may be requested to recuse himself or herself from the meeting when such matter is being discussed.

VOTING SECURITIES AND PRINCIPAL HOLDER THEREOF

The Company has 2,188,262 Class B shares outstanding, all of which are owned by Canadian Utilities. ATCO, directly or indirectly, owns 96.7 per cent of the voting securities of Canadian Utilities. ATCO Ltd. is controlled by Sentgraf Enterprises Ltd. and its controlling share owner, the Southern family.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Cumulative Redeemable Preferred Shares Series 1 and Series 4 is TSX Trust Company at its principal offices in Calgary and Toronto.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Company is occasionally named as a party in claims and legal proceedings which arise during the normal course of its business. The Company reviews each of these claims, including the nature of the claim, the amount in dispute or claimed and the availability of insurance coverage. There can be no assurance that any particular claim will be resolved in the Company's favour or that such claim may not have a material adverse effect on the Company. For further information, please refer to Note 25 of the 2022 Consolidated Financial Statements. For information specific to the 2022 AUC Enforcement Proceeding, please refer to the "Regulatory Information" section presented in CU Inc.'s MD&A.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business (unless otherwise required by applicable securities requirements to be disclosed), there were no material contracts entered into by the Company or its subsidiaries during the most recently completed financial year, or before the most recently completed financial year that are still in effect.

INTERESTS OF EXPERTS

PricewaterhouseCoopers LLP has prepared the auditor's report for the Company's 2022 Consolidated Financial Statements. PricewaterhouseCoopers LLP is independent in accordance with the Rules of Professional Conduct of the Chartered Professional Accountants of Alberta.

FORWARD-LOOKING INFORMATION

Certain statements contained in this AIF constitute forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as "anticipate", "plan", "estimate", "expect", "may", "will", "intend", "should", "goals", "targets", "strategy", "future", and similar expressions. In particular, forward-looking information in this AIF includes, but is not limited to, references to general strategic plans and targets, including with respect to project and program implementations; proposed hydrogen projects; emissions reductions and system decarbonization; the expected purchase and sale of electricity; and mid-year rate base growth forecasts.

Although the Company believes that the expectations reflected in the forward-looking information are reasonable based on the information available on the date such statements are made and processes used to prepare the information, such statements are not guarantees of future performance and no assurance can be given that these expectations will prove to be correct. Forward-looking information should not be unduly relied upon. By their nature, these statements involve a variety of assumptions, known and unknown risks and uncertainties, and other factors, which may cause actual results, levels of activity, and achievements to differ materially from those anticipated in such forward-looking information. The forward-looking information reflects the Company's beliefs and assumptions with respect to, among other things, the Company's ability to successfully achieve its net-zero GHG target by 2050; the development and performance of technology and technological innovations and the ability to otherwise access and implement all technology necessary to achieve GHG and other environmental, social and governance targets; continuing collaboration with certain regulatory and environmental groups; the performance of assets and equipment; demand levels for oil, natural gas, gasoline, diesel and other energy sources; certain levels of future energy use; future production rates; future revenue and earnings; the ability to meet current project schedules, and other assumptions inherent in management's expectations in respect of the forward-looking information identified herein.

The Company's actual results could differ materially from those anticipated in this forward-looking information as a result of, among other things, risks inherent in the performance of assets; capital efficiencies and cost savings; applicable laws and government policies; regulatory decisions; competitive factors in the industries in which the Company operates; prevailing economic conditions; credit risk; interest rate fluctuations; the availability and cost of labour, materials, services, and infrastructure; the development and execution of projects; prices of electricity, natural gas, natural gas liquids, and renewable energy; the development and performance of technology and new energy efficient products, services, and programs including but not limited to the use of zero-emission and renewable fuels, carbon capture, and storage, electrification of equipment powered by zero-emission energy sources and utilization and availability of carbon offsets; potential termination or breach of contract by contract counterparties; the occurrence of unexpected events such as fires, severe weather conditions, explosions, blow-outs, equipment failures, transportation incidents, and other accidents or similar events; and other risk factors, many of which are beyond the control of the Company. Due to the interdependencies and correlation of these factors, the impact of any one material assumption or risk on a forward-looking statement cannot be determined with certainty. Readers are cautioned that the foregoing lists are not exhaustive. For additional information about the principal risks that the Company faces, see "Business Risks and Risk Management" in the MD&A for the year ended December 31, 2022.

This AIF may contain information that constitutes future-oriented financial information or financial outlook information, all of which are subject to the same assumptions, risk factors, limitations and qualifications set forth above. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise or inaccurate and, as such, undue reliance should not be placed on such future-oriented financial information or financial outlook information. The Company's actual results, performance and achievements could differ materially from those expressed in, or implied by, such future-oriented financial information or financial outlook information. The Company has included such information in order to provide readers with a more complete perspective on its future operations and its current expectations relating to its future performance. Such information may not be appropriate for other purposes and readers are cautioned that such information should not be used for purposes other than those for which it has been disclosed herein. Future-oriented financial information or financial outlook information contained herein was made as of the date of this AIF.

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

ADDITIONAL INFORMATION

Additional information relating to the Company can be found on SEDAR at www.sedar.com.

Additional financial information is provided in the Company's audited 2022 Consolidated Financial Statements and MD&A for the financial year ended December 31, 2022.

Information relating to ATCO or Canadian Utilities may be obtained on request from Investor Relations at 3rd Floor, West Building, 5302 Forand Street SW, Calgary, Alberta, T3E 8B4, or by telephone (403) 292-7500.

GLOSSARY

2022 Consolidated Financial Statements means CU Inc.'s Consolidated Financial Statements for the year ended December 31, 2022.

AESO means Alberta Electric System Operator.

Alberta Utilities means Electricity Distribution, Electricity Transmission, Natural Gas Distribution and Natural Gas Transmission.

APL means Alberta PowerLine.

AUC means the Alberta Utilities Commission.

Class A shares means Class A non-voting common shares of the Company.

Class B shares means Class B voting common shares of the Company.

Company means CU Inc. and, unless the context otherwise requires, includes its subsidiaries.

GHG means greenhouse gas.

Gigawatt hour (GWh) is a measure of electricity consumption equal to the use of 1 billion watts of power over a one-hour period.

IFRS means International Financial Reporting Standards.

MD&A means the Company's Management's Discussion and Analysis for the year ended December 31, 2022.

Megawatt (MW) is a measure of electric power equal to 1,000,000 watts.

NGTL means Nova Gas Transmission Ltd.

Petajoule (PJ) is a unit of energy equal to approximately 948.2 billion British thermal units.

REA means Rural Electrification Association. REAs are constituted under the *Rural Utilities Act* (Alberta) by groups of persons carrying on farming operations. Each REA purchases electric power for distribution to its members through a distribution system owned by that REA.

SEDAR means The System for Electronic Document Analysis and Retrieval.

Terajoule (TJ) is a unit of energy equal to approximately 948.2 million British thermal units.

APPENDIX 1

COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis (CD&A) discusses the Company's executive compensation program, and how it is structured, governed, and designed to support the corporate business objectives.

This CD&A discloses compensation of the Chief Executive Officer, Chief Financial Officer and the next three executives that received the highest pay as of December 31, 2022 (our named executives):

- Nancy C. Southern, Chair & Chief Executive Officer
- Brian P. Shkrobot, Executive Vice President & Chief Financial Officer
- Melanie L. Bayley, President, ATCO Electric Ltd.
- Rebecca (Becky) A. Penrice, Executive Vice President, Corporate Services
- Donald (Jason) Sharpe, President, ATCO Gas & Pipelines Ltd.

In 2022, the named executives had multiple responsibilities for CU Inc., Canadian Utilities, and ATCO, the Company's ultimate parent company. The exceptions were Melanie L. Bayley and Jason Sharpe with 100 per cent of their compensation expenses allocated to CU Inc.

Every year, the Company apportions compensation for executives with multiple responsibilities based on each company's contribution to total consolidated revenues, labour expenses and total assets. This allocation method, which has been approved by the Alberta Utilities Commission, represents an estimate of the amount of time the Company expects the executives will devote to each entity.

The table below shows how CU Inc., Canadian Utilities and ATCO have shared the compensation expense of executives with multiple responsibilities over the past three years. The compensation reported in this Appendix 1, shows the amounts allocated to CU Inc.

	Amount paid and reported by CU Inc. (%)	Amount paid by Canadian Utilities (%)	Amount paid by ATCO (%)	Combined total reported by ATCO (%)
2022	75.7	13.3	11.0	100
2021	76.6	12.4	11.0	100
2020	78.1	11.9	10.0	100

EXECUTIVE COMPENSATION PROGRAM ELEMENTS

The disclosure required by items 2.1, 2.3 and 2.4 of National Instrument 51-102F6 *Statement of Executive Compensation* is set out in the ATCO Ltd. and Canadian Utilities Limited management proxy circulars dated March 9, 2023, which are incorporated herein by reference and are available on SEDAR at www.sedar.com.

2022 NAMED EXECUTIVES



Nancy C. Southern
 Chair & Chief Executive Officer
 Age: 66
 Location: Calgary, Canada
 Years of Service: 33

Ms. Southern is Chair & Chief Executive Officer of CU Inc. She has full responsibility for the Company's strategic direction and operations. Ms. Southern reports to the Board of Directors and has been a director of CU Inc. since 1999. Under Ms. Southern's guidance, CU Inc.'s total assets have grown from approximately \$10 billion in 2012 to approximately \$18 billion in 2022.

	2022	2021	2020
Cash			
Base salary	757,000	766,000	553,208
Short-term incentive	1,362,600	0	1,249,600
Total cash compensation	2,119,600	766,000	1,802,808

Ms. Southern has an employment agreement with Canadian Utilities. Details regarding this agreement are set out in the Canadian Utilities Limited management proxy circular dated March 9, 2023, which is incorporated herein by reference and is available on SEDAR at www.sedar.com.



Brian P. Shkrobot
 Executive Vice President & Chief Financial Officer
 Age: 50
 Location: Calgary, Canada
 Years of Service: 22

Mr. Shkrobot is Executive Vice President & Chief Financial Officer of CU Inc. He is responsible for the overall financial management of CU Inc. including Finance, Accounting, Treasury, Taxation, Risk Management, Investor Relations and the administration of Internal Audit. He is also responsible for ATCO's Sustainability and Information Technology functions and Regulatory Affairs for ATCO's utilities divisions. Mr. Shkrobot joined the Company in 2000 and has held a variety of leadership positions. He was appointed to his current role in 2021.

	2022	2021	2020
Cash			
Base salary	331,188	348,055	362,273
Short-term incentive ¹	492,050	322,700	350,000
Total cash compensation	823,238	670,755	712,273

1. See 2022 Compensation Details - Summary Compensation Table beginning on page 26 for more information.

**Melanie L. Bayley**

President, ATCO Electric

Age: 45

Location: Edmonton, Canada

Years of Service: 22

Ms. Bayley is President, ATCO Electric. She is responsible for the operational and financial performance of the electric utility businesses in Alberta, Yukon and Northwest Territories with a strategic focus on the transformation of our electricity systems to achieve sustainable decarbonization of the grid and to enable the energy transition. Ms. Bayley joined the Company in 2000 and has held a variety of leadership positions across the organization. She was appointed to her current role in 2021.

	2022	2021	2020
Cash			
Base salary	400,000	365,000	330,000
Short-term incentive ¹	600,000	220,000	300,000
Total cash compensation	1,000,000	585,000	630,000
Equity			
Mid-Term Incentive	N/A	870	19,904
Long-Term Incentive			
Stock options	143,250	54,420	32,870
Share appreciation rights	N/A	N/A	N/A
Total equity	143,250	55,290	52,774
Total direct compensation	1,143,250	640,290	682,774

1. See 2022 Compensation Details - Summary Compensation Table beginning on page 26 for more information.

**Rebecca A. Penrice**

Executive Vice President, Corporate Services

Age: 48

Location: Calgary, Canada

Years of Service: 3

Ms. Penrice is Executive Vice President, Corporate Services for CU Inc. She has overall responsibility for leading key corporate functions, including: Human Resources, Security, Common Services, Supply Chain and Facilities Operations, Governance & Legal, Marketing, Brand & Communications and Aviation. She is involved in strategic decisions which guide the evolution of the corporate culture; as well as supporting the Executive leadership team and the Board of Directors. Ms. Penrice joined the Company in 2020.

	2022	2021	2020
Cash			
Base salary	370,930	345,658	329,973
Short-term incentive	567,750	383,000	351,450
Total cash compensation	938,680	728,658	681,423



Donald (Jason) Sharpe
President, ATCO Gas & Pipelines
Age: 48
Location: Calgary, Canada
Years of Service: 20

Mr. Sharpe is President, ATCO Gas & Pipelines. He is responsible for the operational and financial performance of our Natural Gas business, maintaining a continued strong track record of operational and regulatory excellence with a focus on energy sustainability. Mr. Sharpe has held a variety of senior roles in engineering, major projects, and operations within the gas transmission and distribution businesses. He was appointed to his current role in 2021.

	2022	2021	2020
Cash			
Base salary	400,000	345,000	307,500
Short-term incentive	500,000	400,000	285,000
Total cash compensation	900,000	745,000	592,500
Equity			
Mid-Term Incentive	N/A	N/A	15,674
Long-Term Incentive			
Stock options	143,250	54,420	32,870
Share appreciation rights	N/A	N/A	N/A
Total equity	143,250	54,420	48,544
Total direct compensation	1,043,250	799,420	641,044

2022 COMPENSATION DETAILS

Summary Compensation Table

The table below summarizes the total compensation allocated to the Company in accordance with the table set out on the first page of this Appendix 1 for each of the named executives for the years ended December 31, 2022, 2021 and 2020.

	Salary	Share based awards ^{1,2}	Option based awards ^{1,3,4}	Non-equity incentive plan compensation		Pension value ⁵	All Other Compensation ⁷	Total Compensation
				Annual incentive plans ³	Long term incentive plans			
Nancy C. Southern								
Chair & Chief Executive Officer								
2022	757,000	N/A	N/A	1,362,600	N/A	977,223	26,495	3,123,318
2021	766,000	N/A	N/A	0	N/A	1,214,480	26,810	2,007,290
2020	553,208	N/A	N/A	1,249,600	N/A	1,990,852	27,335	3,820,995
Brian P. Shkrobot								
Executive Vice President & Chief Financial Officer								
2022	331,188	N/A	N/A	492,050	N/A	23,300	82,747	929,285
2021	348,055	N/A	N/A	322,700	N/A	26,932	12,182	709,869
2020	362,273	N/A	N/A	350,000	N/A	27,830	12,680	752,783
Melanie L. Bayley								
President, ATCO Electric								
2022	400,000	N/A	143,250	600,000	N/A	30,780	184,578	1,358,608
2021	365,000	870	54,420	220,000	N/A	29,210	12,775	682,275
2020	330,000	19,904	32,870	300,000	N/A	27,830	11,550	722,154
Becky A. Penrice								
Executive Vice President, Corporate Services								
2022	370,930	N/A	N/A	567,750	N/A	23,300	9,273	971,253
2021	345,658	N/A	N/A	383,000	N/A	22,375	8,641	759,674
2020	329,973	N/A	N/A	351,450	N/A	21,735	8,249	711,407
Jason Sharpe								
President, ATCO Gas & Pipelines								
2022	400,000	N/A	143,250	500,000	N/A	30,780	13,563	1,087,593
2021	345,000	N/A	54,420	400,000	N/A	29,210	12,075	840,705
2020	307,500	15,674	32,870	285,000	N/A	27,830	10,763	679,637

1. With the exception of Ms. Bayley and Mr. Sharpe, whose share based and option based awards are allocated 100 per cent to CU Inc., the disclosure regarding the named executives' equity compensation as well as information regarding the equity plans is set out in the ATCO Ltd. and Canadian Utilities Limited management proxy circulars dated March 9, 2023, as applicable, which are incorporated herein by reference and are available on SEDAR at www.sedar.com.

2. The share based awards value includes the dividends received during the respective calendar year. ATCO did not grant units under the mid-term incentive plan during the last 3 years.

3. The option values shown for the last three years are the grant date fair values determined using the Black-Scholes method, the same method used for determining the accounting fair values. The assumptions used were as follows:

	2022		2021		2020	
	September		June		December	
	ATCO	Canadian Utilities	ATCO	Canadian Utilities	ATCO	Canadian Utilities
Option Assumptions						
Expected life (years)	7.1	6.8	7.1	6.8	7.1	6.8
Risk free rate of return	3.17%	3.20%	1.10%	1.06%	0.52%	0.50%
Volatility	25.98%	21.44%	26.23%	24.09%	21.76%	22.25%
Dividend yield	3.98%	4.41%	3.93%	4.89%	4.62%	5.49%

4. Total ATCO and Canadian Utilities stock options and share appreciation rights.

5. Mr. Shkrobot's and Ms. Bayley's awards include GOCOM approved, supplemental discretionary bonuses of \$100,000 each, paid in July of 2022 to compensate them for extraordinary efforts on various corporate initiatives during the first half of 2022. The values in the table reflect the CU Inc. portion of the compensation expense.
6. Estimated using a prescribed formula based on several assumptions. Also includes other compensatory items.
7. Employer contribution to the Employee Share Purchase Plan. Mr. Shkrobot's and Ms. Bayley's 2022 compensation includes taxable benefits of \$95,966 and \$170,840 respectively, to recognize extraordinary efforts and exemplary service in relation to various corporate initiatives that were completed during the year. The values in the table reflect the CU Inc. portion of the compensation expense.

INCENTIVE PLAN AWARDS

With the exception of Ms. Bayley and Mr. Sharpe, whose share based and option based awards are allocated 100 per cent to CU Inc., the disclosure regarding the named executives' equity compensation as well as information regarding the equity plans is set out in the ATCO Ltd. and Canadian Utilities Limited management proxy circulars dated March 9, 2023, as applicable, which are incorporated herein by reference and are available on SEDAR at www.sedar.com.

Outstanding Option-Based Awards

The table below shows each named executive's outstanding incentive plan awards as of December 31, 2022.

		Option-based awards							
Number of securities underlying unexercised options (#)		Option exercise price /SARs base value (\$)		Option / SARs expiration date		Value of unexercised in-the-money options / SARs ⁵ (\$)			
Canadian Utilities		ATCO		Canadian Utilities		ATCO			
Options ¹	SARs ²	Options ³	SARs ⁴	Canadian Utilities	ATCO	Canadian Utilities	ATCO		
Melanie L. Bayley									
2022	25,000	N/A	N/A	N/A	40.89	N/A	2030-09-15	0	0
2021	10,000	N/A	2,000	N/A	35.76	45.38	2029-06-15	8,900	0
2020	10,000	N/A	2,000	N/A	32.09	38.40	2028-12-15	45,600	7,960
2019	3,000	3,000	N/A	N/A	38.97	N/A	2029-11-15	0	0
2018	1,000	1,000	1,000	1,000	34.13	42.08	2028-03-15	5,040	600
2017	1,000	1,000	1,000	1,000	38.07	48.82	2027-03-15	0	0
2016	1,500	1,500	N/A	N/A	36.08	N/A	2026-03-25	1,710	0
2015	1,000	1,000	N/A	N/A	40.78	N/A	2025-03-15	0	0
2014	1,000	1,000	N/A	N/A	38.96	N/A	2024-12-15	0	0
Jason Sharpe									
2022	25,000	N/A	N/A	N/A	40.89	N/A	2030-09-15	0	0
2021	10,000	N/A	2,000	N/A	35.76	45.38	2029-06-15	8,900	0
2020	10,000	N/A	2,000	N/A	32.09	38.40	2028-12-15	45,600	7,960
2019	2,000	2,000	N/A	N/A	38.97	N/A	2029-11-15	0	0
2018	2,000	2,000	N/A	N/A	34.13	N/A	2028-03-15	10,080	0
2017	2,000	2,000	N/A	N/A	38.07	N/A	2027-03-15	0	0
2016	1,500	1,500	N/A	N/A	36.08	N/A	2026-03-25	1,710	0
2015	1,000	1,000	N/A	N/A	29.97	N/A	2025-12-15	13,360	0
2015	1,000	1,000	N/A	N/A	40.78	N/A	2025-03-15	0	0
2014	1,000	1,000	N/A	N/A	39.39	N/A	2024-07-15	0	0

1 Options to buy Canadian Utilities Class A shares.

2 Share appreciation rights based on Canadian Utilities Class A shares.

3 Options to buy ATCO Class I Shares.

4 Share appreciation rights based on ATCO Class I Shares.

5 The difference between the market value as of December 31, 2022, of Canadian Utilities Class A shares (\$36.65) and ATCO Class I Shares (\$42.38) underlying the option-based awards and the exercise price of the option-based awards.

The table below shows incentive plan awards that have vested or were earned for each named executive during 2022.

Year ended December 31, 2022	Option-based awards				Non-equity incentive plan compensation
					Amount vested during the year (\$)
					Value earned during the year (\$)
Canadian Utilities		ATCO			
	Options ¹	SARs ²	Options ³	SARs ⁴	
Melanie L. Bayley	20,256	506	2,521	16	600,000
Jason Sharpe	20,762	1,012	2,505	0	500,000

- Options to buy Canadian Utilities Class A shares.
- Share appreciation rights based on Canadian Utilities Class A shares.
- Options to buy ATCO Class I Shares.
- Share appreciation rights based on ATCO Class I Shares.

PENSION PLAN

The named executives participate in the Retirement Plan for Employees of Canadian Utilities Limited and Participating Companies (CU plan), which has both a defined benefit (DB) and defined contribution (DC) component. Nancy C. Southern participates in the DB component. Brian P. Shkrobot, Melanie L. Bayley, Becky A. Penrice and Jason Sharpe participate in the DC component.

How the DB component works:

- Executives do not contribute to the plan;
- Participants can retire with full benefits when they turn 62, or if their age plus their years of service equals 90 or more. They can retire as early as age 55. However, if they have not achieved 90 points, their pension benefit is reduced by 3 per cent for every year of retirement before age 62, and by another 3 per cent for every year before age 60;
- Pension benefits are paid until the participant dies; then, 60 per cent is paid to the surviving spouse; and
- Retiree pension benefit payments have historically been increased annually with inflation, to a maximum of 3 per cent.

How we calculate the pension benefit:

$$\left[1.4\% \times \begin{array}{l} \text{average year's maximum} \\ \text{pensionable earnings} \\ (\$59,700 \text{ in } 2022) \end{array} + 2\% \times \begin{array}{l} \text{average salary (highest five consecutive} \\ \text{years of base salary, not including} \\ \text{short-term incentive) } \textit{minus} \$59,700 \end{array} \right] \times \text{Years of service}$$

How the DC component works:

- Executives do not contribute to the plan;
- The Company contributes 10 per cent of base salary up to the maximum permitted by the Income Tax Act (Canada) which was \$30,780 in 2022; and
- Participants are responsible for the investment decisions in the DC plan and may invest contributions in a broad selection of funds.

SUPPLEMENTAL PENSION BENEFITS

Pension benefits under our pension plans are subject to limits imposed by the *Income Tax Act* (Canada). Benefits that are higher than these limits are paid to Nancy C. Southern as a supplemental pension. This supplemental pension is provided by Canadian Utilities and benefits are not pre-funded, it is also inclusive of the benefit under the Canadian Utilities plan. Benefits are paid on the same terms as the plan, with the same survivor benefits and top-up for inflation.

How it works:

- Supplemental pension benefits are provided as a defined benefit plan
- Executives do not contribute to the supplemental plan
- Service is limited to 35 years

Nancy C. Southern's supplemental pension benefit is part of her employment agreement. Her benefits are calculated as 80 per cent of the average of the highest five years of cash compensation (salary and short-term incentives) throughout her career.

DEFINED BENEFIT

The table below shows the pension benefits and accrued obligations under all registered pension plans and supplemental arrangements for Nancy C. Southern, as allocated to CU Inc.

	Number of years credited service	Annual Benefits Payable (\$)		Opening present value of defined benefit obligation (\$)	Compensatory Change (\$)	Non Compensatory Change (\$)	Closing present value of defined benefit obligation (\$)
		At year end	At age 65				
Nancy C. Southern	27.00	1,550,336	1,550,336	28,787,153	977,223	(6,056,448)	23,707,928

Number of years of credited service is the time the executive has been a member of the pension plan, and is used to calculate the pension.

Annual benefits payable at year end is based on the defined benefit credited service and actual average pensionable earnings at December 31, 2022. The benefits are reduced if a named executive is eligible for early retirement.

Annual benefits payable at age 65 is based on actual average pensionable earnings at December 31, 2022, and their projected service at age 65, to a maximum of 35 years service.

The Company calculates the accrued pension obligation using the method prescribed by International Financial Reporting Standards and based on management's best estimate of future events that affect the cost of pensions, including assumptions about adjustments to base salary in the future.

The compensatory change includes the service cost, differences between actual and estimated earnings, the impact of plan amendments and past service benefits, as well as changes in expected future retirement dates.

The non-compensatory change includes interest on the obligation, the impact of assumption changes, and the impact of changing the CU Inc. allocation from 76.6 per cent in 2021 to 75.7 per cent in 2022. See Note 13, Retirement Benefits, in the Company's consolidated financial statements for the year ended December 31, 2022, for more information about the methods and assumptions used to calculate accrued obligations.

DEFINED CONTRIBUTION

The table below shows the defined contribution disclosure for the named executives, as allocated to CU Inc.

	Accumulated value at start of year (\$)	Compensatory (\$)	Accumulated value at year end (\$)
Brian P. Shkrobot	709,201	23,300	541,437
Melanie L. Bayley	615,336	30,780	579,290
Becky A. Penrice	51,538	23,300	68,495
Jason Sharpe	603,316	30,780	574,240

The compensatory amount is the Company's contribution. Participants are responsible for their investments and may invest contributions in a broad selection of funds.

TERMINATION AND CHANGE OF CONTROL

Details regarding termination and change of control that would apply to the Company's named executives, other than Ms. Bayley and Mr. Sharpe as 100 per cent of their compensation is allocated to the Company, are set out in the ATCO Ltd. and Canadian Utilities Limited management proxy circulars dated March 9, 2023, which are incorporated herein by reference and are available on SEDAR at www.sedar.com.

The table below shows incremental amounts that would be paid to Ms. Bayley and Mr. Sharpe based on differing scenarios – retirement, resignation, termination without cause and change of control without termination, assuming the triggering event took place on December 31, 2022.

Incremental Amounts	Retirement (\$)	Resignation (\$)	Termination Without Cause (\$)	Change of Control Without Termination (\$)
Melanie L. Bayley				
Cash payment				
Option-based awards ¹				34,583
Pension				
Benefits				
Perquisites				
Total				34,583
Jason Sharpe				
Cash payment				
Option-based awards ¹				38,376
Pension				
Benefits				
Perquisites				
Total				38,376

1. Assumes the exercise of all unvested options and share appreciation rights. Shows the estimated value of accelerated awards based on \$42.38 and \$36.65, the respective closing prices of Canadian Utilities Class A shares and ATCO Class I Shares on December 31, 2022.

DIRECTOR COMPENSATION

For information on the annual retainers paid to non-employee directors for acting as directors of the Company in 2022, please see page 17.

Mr. Booth is a director of the Company as well as ATCO. The disclosure required by item 7 of National Instrument 51-102F6 *Statement of Executive Compensation* is set out in the ATCO Ltd. management proxy circular dated March 9, 2023, which is incorporated herein by reference and is available on SEDAR at www.sedar.com.

Ms. Charlton and Mr. Normand are directors of the Company as well as Canadian Utilities. The disclosure required by item 7 of National Instrument 51-102F6 *Statement of Executive Compensation* is set out in the Canadian Utilities Limited management proxy circular dated March 9, 2023, which is incorporated herein by reference and is available on SEDAR at www.sedar.com.

Ms. Southern and Ms. Southern-Heathcott are directors of the Company as well as ATCO and Canadian Utilities. Ms. Southern is an employee of the Company and does not receive compensation as a director. The disclosure required by item 7 of National Instrument 51-102F6 *Statement of Executive Compensation*, for Ms. Southern-Heathcott as it pertains to the Company, is set out in the Canadian Utilities Limited management proxy circular dated March 9, 2023, which is incorporated herein by reference and is available on SEDAR at www.sedar.com.