



CANADIAN UTILITIES LIMITED
An **ATCO** Company

CANADIAN UTILITIES LIMITED

FINANCIAL INFORMATION

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023

2023 THIRD QUARTER FINANCIAL INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023

This Management's Discussion and Analysis (MD&A) is meant to help readers understand key operational and financial events that influenced the results of Canadian Utilities Limited (Canadian Utilities, our, we, us, or the Company) during the nine months ended September 30, 2023.

This MD&A was prepared as of October 25, 2023, and should be read with the Company's unaudited interim consolidated financial statements for the nine months ended September 30, 2023. Additional information, including the Company's previous MD&As, Annual Information Form, and audited consolidated financial statements for the year ended December 31, 2022, is available on SEDAR+ at www.sedarplus.ca. Information contained in the MD&A for the year ended December 31, 2022 is not discussed in this MD&A if it remains substantially unchanged.

The Company is controlled by ATCO Ltd. and its controlling share owner, Sengraf Enterprises Ltd. and its controlling share owner, the Southern family.

Terms used throughout this MD&A are defined in the Glossary at the end of this document.

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PERFORMANCE OVERVIEW

FINANCIAL METRICS

The following chart summarizes key financial metrics associated with our financial performance.

(\$ millions, except per share data and outstanding shares)	Three Months Ended September 30			Nine Months Ended September 30		
	2023	2022	Change	2023	2022	Change
Key Financial Metrics						
Revenues	812	898	(86)	2,822	2,941	(119)
Adjusted earnings (loss) ⁽¹⁾	87	120	(33)	404	475	(71)
ATCO Energy Systems ⁽¹⁾	108	135	(27)	453	525	(72)
ATCO EnPower	9	12	(3)	33	30	3
Corporate & Other	(30)	(27)	(3)	(82)	(80)	(2)
Adjusted earnings (\$ per share)	0.32	0.45	(0.13)	1.50	1.77	(0.27)
Earnings attributable to equity owners of the Company	125	109	16	522	487	35
Earnings attributable to Class A and Class B shares	105	89	16	464	432	32
Earnings attributable to Class A and Class B shares (\$ per share)	0.39	0.33	0.06	1.72	1.61	0.11
Diluted earnings attributable to Class A and Class B shares (\$ per share)	0.39	0.32	0.07	1.72	1.60	0.12
Total assets	22,846	21,530	1,316	22,846	21,530	1,316
Long-term debt	10,536	9,617	919	10,536	9,617	919
Equity attributable to equity owners of the Company	6,774	6,801	(27)	6,774	6,801	(27)
Cash dividends declared per Class A and Class B share (cents per share)	44.86	44.42	0.44	134.58	133.26	1.32
Cash flows from operating activities	394	380	14	1,276	1,532	(256)
Capital investment ⁽²⁾	331	379	(48)	1,663	941	722
Capital expenditures	330	374	(44)	966	931	35
Other Financial Metrics						
Weighted average Class A and Class B shares outstanding (<i>thousands</i>):						
Basic	270,280	269,187	1,093	269,904	269,065	839
Diluted	270,282	269,751	531	270,238	269,617	621

(1) Additional information regarding these total of segments measures is provided under the headings "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Equity Owners of the Company" in this MD&A.

(2) Additional information regarding this non-GAAP measure is provided under the headings "Other Financial and Non-GAAP Measures" and "Reconciliation of Capital Investment to Capital Expenditures" in this MD&A.

REVENUES

Revenues in the third quarter of 2023 were \$812 million, \$86 million lower than the same period in 2022. Lower revenues were mainly due to cost efficiencies generated by Electricity Distribution and Natural Gas Distribution over the second generation Performance Base Regulation (PBR) term now being passed onto customers under the 2023 Cost of Service (COS) rebasing framework, and the Alberta Utilities Commission (AUC) decision to maximize the collection of 2021 deferred revenues in 2022 as a result of rate relief provided to customers in 2021. Lower revenues were partially offset by additional revenues from ATCO EnPower's Forty Mile and Adelaide wind assets acquired in January 2023, higher flow-through revenues in Electricity Distribution, and higher rates and increased system volumes in International Natural Gas Distribution.

ADJUSTED EARNINGS ⁽¹⁾

Our adjusted earnings in the third quarter of 2023 were \$87 million or \$0.32 per share, compared to \$120 million or \$0.45 per share for the same period in 2022.

Adjusted earnings in the third quarter of 2023 were \$33 million lower compared to the same period in 2022 mainly due to cost efficiencies generated by Electricity Distribution and Natural Gas Distribution over the second generation PBR term now being passed onto customers under the 2023 COS rebasing framework, and the impact of inflation indexing on rate base in 2022 in International Natural Gas Distribution.

Additional detail on the financial performance of our business units is discussed in the Business Unit Performance section of this MD&A.

EARNINGS ATTRIBUTABLE TO EQUITY OWNERS OF THE COMPANY

Earnings attributable to equity owners of the Company were \$125 million in the third quarter of 2023, \$16 million higher compared to 2022. Earnings attributable to equity owners of the Company include timing adjustments related to rate-regulated activities, dividends on equity preferred shares of the Company, unrealized gains or losses on mark-to-market forward and swap commodity contracts, 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. These items are not included in adjusted earnings.

More information on these and other items is included in the Reconciliation of Adjusted Earnings to Earnings Attributable to Equity Owners of the Company section of this MD&A.

Earnings attributable to equity owners of the Company are earnings attributable to Class A and Class B shares plus dividends on equity preferred shares of the Company. Additional information regarding earnings attributable to Class A and Class B shares is presented in Note 5 of the unaudited interim consolidated financial statements.

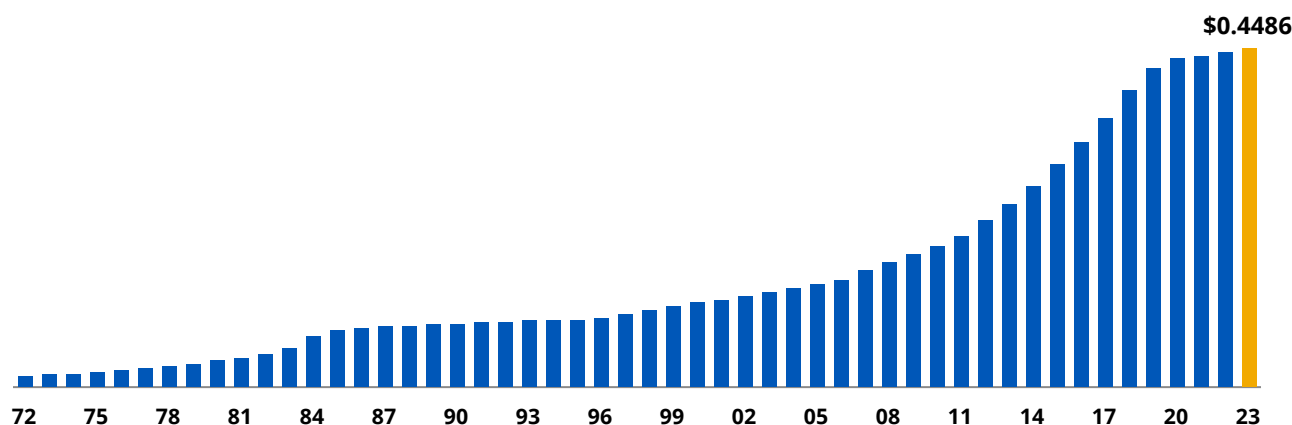
CASH FLOWS FROM OPERATING ACTIVITIES

Cash flows from operating activities were \$394 million in the third quarter of 2023, \$14 million higher than the same period in 2022 mainly due to higher cash flows generated from operations, largely related to the acquisitions of the Forty Mile and Adelaide wind assets.

COMMON SHARE DIVIDENDS

Dividends paid to Class A and Class B share owners in the third quarter of 2023 totaled \$114 million, net of \$7 million of dividends reinvested. On September 12, 2023, the Board of Directors declared a fourth quarter dividend of 44.86 cents per share or \$1.79 on an annualized basis. We aim to grow dividends in-line with our sustainable earnings growth, which is linked to growth from our regulated and long-term contracted investments.

**Quarterly Dividend Rate 1972 - 2023
(dollars per share)**



⁽¹⁾ Additional information is provided under the headings "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Equity Owners of the Company" in this MD&A.

CAPITAL INVESTMENT ⁽¹⁾ AND CAPITAL EXPENDITURES

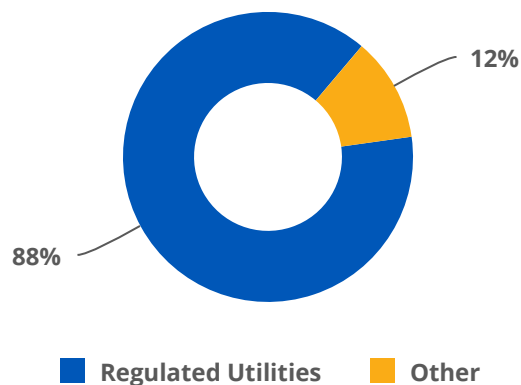
Total capital investment of \$331 million and capital expenditures of \$330 million in the third quarter of 2023 were \$48 million and \$44 million lower compared to the same period in 2022 mainly due to construction activity in 2022 related to the expansion of the Carbon natural gas storage facility in the ATCO EnPower segment.

Total capital investment of \$1,663 million in the first nine months of 2023 was \$722 million higher compared to the same period in 2022 mainly due to the first quarter acquisition of the renewable energy portfolio and ongoing capital spend related to the Barlow, Deerfoot and Empress solar projects in the ATCO EnPower segment, and ongoing capital investment in the Regulated Utilities.

Total capital expenditures of \$966 million in the first nine months of 2023 were \$35 million higher compared to the same period in 2022 mainly due to ongoing capital investment in the Regulated Utilities.

Capital expenditures in the Regulated Utilities accounted for 88 per cent of the total in the first nine months of 2023. The remaining 12 per cent was primarily related to capital spending within the ATCO EnPower segment, mainly related to the Barlow, Deerfoot and Empress solar projects.

Capital Expenditures for the
Nine Months Ended September 30,
2023



⁽¹⁾ Additional information regarding this non-GAAP measure is provided under the headings "Other Financial and Non-GAAP Measures" and "Reconciliation of Capital Investment to Capital Expenditures" in this MD&A.

BUSINESS UNIT PERFORMANCE



REVENUES

ATCO Energy Systems revenues of \$659 million and \$2,322 million in the third quarter and first nine months of 2023 were \$62 million and \$160 million lower compared to the same periods in 2022 mainly due to cost efficiencies generated by Electricity Distribution and Natural Gas Distribution over the second generation PBR term now being passed onto customers under the 2023 COS rebasing framework, and the AUC decision to maximize the collection of 2021 deferred revenues in 2022 as a result of rate relief provided to customers in 2021. In addition, Electricity Transmission revenues were lower due to the settlement of the 2018-2021 Deferral Application as well as the settlement of the 2023-2025 General Tariff Application which reflects ceased collection and a refund of previously collected federal deferred income taxes. These actions do not significantly impact adjusted earnings, however, they will reduce revenues and cash flows from 2023-2025, providing rate relief to customers. Lower revenues were partially offset by higher flow-through revenues in Electricity Distribution, and higher rates and increased system volumes in International Natural Gas Distribution.

ADJUSTED EARNINGS

(\$ millions)	Three Months Ended September 30			Nine Months Ended September 30		
	2023	2022	Change	2023	2022	Change
Electricity						
Electricity Distribution ⁽¹⁾	38	41	(3)	104	128	(24)
Electricity Transmission ⁽¹⁾	45	41	4	126	128	(2)
International Electricity Operations ⁽¹⁾	12	17	(5)	34	39	(5)
Total Electricity	95	99	(4)	264	295	(31)
Natural Gas						
Natural Gas Distribution ⁽¹⁾	(30)	(16)	(14)	58	95	(37)
Natural Gas Transmission ⁽¹⁾	21	22	(1)	69	68	1
International Natural Gas Distribution ⁽¹⁾	22	30	(8)	62	67	(5)
Total Natural Gas	13	36	(23)	189	230	(41)
Total ATCO Energy Systems ⁽²⁾	108	135	(27)	453	525	(72)

(1) Additional information regarding these non-GAAP measures is provided under the headings "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Equity Owners of the Company" in this MD&A.

(2) Additional information regarding this total of segments measure is provided under the headings "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings Attributable to Equity Owners of the Company" in this MD&A.

ATCO Energy Systems adjusted earnings of \$108 million and \$453 million in the third quarter and first nine months of 2023 were \$27 million and \$72 million lower than the same periods in 2022 mainly due to cost efficiencies generated by Electricity Distribution and Natural Gas Distribution over the second generation PBR term now being passed onto customers under the 2023 COS rebasing framework. Earnings were also lower due to the impact of inflation indexing on rate base in 2022 in International Natural Gas Distribution, partially offset by increased system volumes. In the first nine months of 2023, lower earnings were partially offset by growth in rate base and new cost efficiencies realized in 2023 in Electricity Distribution and Natural Gas Distribution.

Detailed information about the activities and financial results of the ATCO Energy Systems business segments is provided in the following sections.

Electricity Distribution

Electricity Distribution provides regulated electricity distribution and distributed generation mainly in Northern and Central East Alberta, the Yukon, the Northwest Territories and in the Lloydminster area of Saskatchewan.

Electricity Distribution adjusted earnings of \$38 million and \$104 million in the third quarter and first nine months of 2023 were \$3 million and \$24 million lower than the same periods in 2022 mainly due to cost efficiencies generated over the second generation PBR term now being passed onto customers under the 2023 COS rebasing framework, partially offset by new cost efficiencies realized in 2023 and growth in rate base.

Electricity Transmission

Electricity Transmission provides electricity transmission mainly in Northern and Central East Alberta, and in the Lloydminster area of Saskatchewan. Electricity Transmission has a 35-year contract to be the operator of Alberta PowerLine, a 500-km electricity transmission line between Wabamun, near Edmonton, and Fort McMurray, Alberta.

Electricity Transmission adjusted earnings of \$45 million in the third quarter of 2023 were \$4 million higher compared to the same period in 2022 mainly due to new cost efficiencies realized in 2023 and growth in rate base.

Electricity Transmission adjusted earnings of \$126 million in the first nine months of 2023 were \$2 million lower compared to the same period in 2022 mainly due to the second quarter decision received from the AUC on the 2018-2021 Deferral Application which denied recovery of forgone return related to certain cancelled projects.

International Electricity Operations

International Electricity Operations includes a 50 per cent ownership in LUMA Energy, a company formed to transform, modernize and operate Puerto Rico's 30,000-km electricity transmission and distribution system under an Operations and Maintenance Agreement with the Puerto Rico Public-Private Partnerships Authority and the Puerto Rico Electric Power Authority (PREPA).

LUMA Energy continues to operate under the terms of a Supplemental Agreement, which was extended on November 30, 2022 and will continue until such time that PREPA's bankruptcy is resolved. Following the resolution of PREPA's bankruptcy proceeding, LUMA Energy will transition to year one of the Operations and Maintenance agreement.

International Electricity Operations adjusted earnings in the third quarter and first nine months of 2023 were \$5 million lower compared to the same periods in 2022 mainly due to the timing of recovery of costs in 2022, partially offset by favourable foreign exchange rates.

Natural Gas Distribution

Natural Gas Distribution serves municipal, residential, commercial and industrial customers throughout Alberta and in the Lloydminster area of Saskatchewan.

Natural Gas Distribution adjusted earnings in the third quarter and first nine months of 2023 were \$14 million and \$37 million lower than the same periods in 2022 mainly due to cost efficiencies generated over the second generation PBR term now being passed onto customers under the 2023 COS rebasing framework. Lower earnings were partially offset by growth in rate base and new cost efficiencies realized in the first nine months of 2023.

Natural Gas Transmission

Natural Gas Transmission receives natural gas on its pipeline system from various gas processing plants as well as from other natural gas transmission systems and transports it to end users within the province of Alberta or to other pipeline systems.

Natural Gas Transmission adjusted earnings of \$21 million and \$69 million in the third quarter and first nine months of 2023 were comparable to the same periods in 2022.

International Natural Gas Distribution

International Natural Gas Distribution is a regulated provider of natural gas distribution services in Western Australia, serving metropolitan Perth and surrounding regions.

International Natural Gas Distribution adjusted earnings of \$22 million and \$62 million in the third quarter and first nine months of 2023 were \$8 million and \$5 million lower than the same periods in 2022 mainly due to the impact of inflation indexing on rate base in 2022, partially offset by increased system volumes.

In the third quarter of 2022, Australia inflation indexing reflected a full year inflation assumption of 7 per cent (3 per cent in the first quarter and 6 per cent in the second quarter of 2022) which increased to 8 per cent by the end of 2022. It is expected that inflation for 2023 will be in the range of 4 to 5 per cent.

ATCO ENERGY SYSTEMS REGULATORY DEVELOPMENTS

SUBSEQUENT COMMON MATTERS DECISIONS

Generic Cost of Capital Decision

On October 9, 2023, the AUC issued its decision with respect to the Generic Cost of Capital parameters for 2024 and beyond. AUC has approved the use of a formula for setting Return on Equity (ROE) rates and set the equity thickness at 37 per cent for Alberta Utilities.

The established starting point ROE, which will serve as the base in the annual formula, is set at 9 per cent and the formula will take into account two variables; changes in 30-year Government of Canada Bond Yields and changes in utility spreads. AUC will update the ROE annually and issue the following year's ROE in November of the current year, as such, we expect to receive the 2024 ROE in November 2023.

2024-2028 Performance-Based Regulation Decision

On October 4, 2023, the AUC issued its decision on the parameters of the third generation of performance-based regulation (PBR3) plans that will set rates for the distribution utilities for the years 2024 to 2028. AUC has approved continuation of the incremental capital funding mechanism based on historical five years of actual capital spend as well as the ability to seek additional funding for capital that meets certain eligibility criteria. The AUC also introduced two new benefit sharing mechanisms with a new productivity factor premium and an asymmetric, two-tiered Earnings Sharing Mechanism.

The following table compares the key aspects of the PBR Second Generation with the Third Generation based on the AUC's decision.

	PBR Second Generation	PBR Third Generation
Timeframe	2018 to 2022	2024 to 2028
Inflation Adjuster (I Factor)	Inflation indices (AWE and CPI) adjusted annually using a lagged calculation	Inflation indices (FWI and CPI) adjusted annually with a true up applied
Productivity Adjuster (X Factor)	0.30%	0.40%
O&M	Based on the lowest annual actual O&M level during 2013-2016, adjusted for inflation, growth and productivity to 2017 dollars; inflated by I-X thereafter over the PBR term	Based on 2023 approved Cost of Service Applications; inflated by I-X through the PBR term.

	PBR Second Generation	PBR Third Generation
Return on Operating Cost Investment	Not applicable	Ability to apply for return on operating solutions when it replaces a capital solution
Treatment of Capital Costs	<p>a. Recovered through going-in rates inflated by I-X and a K Bar that is based on inflation adjusted average historical capital costs for the period 2013-2016. The K Bar is calculated annually and adjusted for the actual WACC</p> <p>b. Significant capital costs that are extraordinary, not previously incurred and required by a third party recovered through a "Type I" K Factor</p>	<p>a. Recovered through going-in rates inflated for I-X and a K Bar that is based on inflation adjusted average historical capital costs for the period 2018-2022. The K Bar is calculated annually and adjusted for the actual WACC</p> <p>b. Significant extraordinary capital costs not previously incurred, required by a third party or directly caused by applicable law related to net-zero objectives recovered through a "Type I" K Factor</p>
ROE Used for Going-in Rates	<p>a. 8.5%</p> <p>b. + 0.5% ROE ECM achieved from PBR First Generation added to 2018 and 2019</p>	<p>a. 8.5%</p> <p>b. + 0.5% ROE ECM achieved from PBR Second Generation added to 2023 and 2024</p>
Efficiency Carry-over Mechanism (ECM)	ECM up to 0.5% additional ROE for the years 2023 and 2024 based on certain criteria	Not applicable
Earnings Sharing Mechanism (ESM)	Not applicable	<p>Two-tiered, asymmetric ESM;</p> <ul style="list-style-type: none"> the utilities retain a 100% of the first 200bps of earnings above the authorized ROE a 60/40 utility/customer split for the next 200bps of earnings, and a 20/80 utility/customer split for any earnings over 400bps
Reopener	+/- 300bps of the approved ROE for two consecutive years or +/- 500bps of the approved ROE for any single year	- 300bps of the approved ROE for two consecutive years or +/- 500bps of the approved ROE for any single year
ROE Used for Reopener Calculation	<ul style="list-style-type: none"> 2018: 8.5% excluding impact of ECM 2019: 8.5% excluding impact of ECM 2020 - 2022: 8.5% 	<ul style="list-style-type: none"> 2024: Based on the Generic Cost of Capital formula excluding impact of ECM 2025-2028: Based on the Generic Cost of Capital formula
Quantification and Tracking of Efficiencies	Not applicable	Utility must report a select set of operational metrics annually to the AUC



REVENUES

ATCO EnPower revenues of \$72 million and \$273 million in the third quarter and first nine months of 2023 were \$5 million and \$55 million higher compared to the same periods in 2022 mainly due to revenues from the Forty Mile and Adelaide wind assets acquired in January 2023, and higher revenues at the Carbon natural gas storage facility.

ADJUSTED EARNINGS

(\$ millions)	Three Months Ended September 30			Nine Months Ended September 30		
	2023	2022	Change	2023	2022	Change
Electricity Generation ^{(1) (2)}	2	1	1	13	7	6
Storage & Industrial Water ^{(1) (2)}	7	11	(4)	20	23	(3)
Total ATCO EnPower ⁽²⁾	9	12	(3)	33	30	3

(1) Considered to be non-GAAP financial measures.

(2) Additional information is provided under the headings "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Equity Owners of the Company" in this MD&A.

ATCO EnPower adjusted earnings of \$9 million in the third quarter of 2023 were \$3 million lower than the same period in 2022 mainly due to lower demand of natural gas storage services, partially offset by the timing of project development costs.

ATCO EnPower adjusted earnings of \$33 million in the first nine months of 2023 were \$3 million higher than the same period in 2022 mainly due to additional earnings from the Forty Mile and Adelaide wind assets acquired in January 2023, higher earnings and additional working capacity from the Carbon natural gas storage facility, and earnings from the solar assets energized in 2023. Higher earnings were partially offset by the insurance recovery received in the second quarter of 2022 related to the Karratha facility in Australia, and timing of project costs.

Detailed information about the activities and financial results of ATCO EnPower's businesses is provided in the following sections.

Electricity Generation

Non-regulated electricity activities include the supply of electricity from solar, wind, hydroelectric, and natural gas generating plants in Canada, Australia, Mexico, and Chile.

Electricity Generation adjusted earnings of \$2 million and \$13 million in the third quarter and first nine months of 2023 were \$1 million and \$6 million higher compared to the same periods in 2022 mainly due to additional earnings from the Forty Mile and Adelaide wind assets acquired in January 2023, earnings from the solar assets energized in 2023, and the timing of project development costs. Higher earnings were partially offset by the insurance recovery received in the second quarter of 2022 related to the Karratha facility in Australia.

Storage & Industrial Water

Storage & Industrial Water provides non-regulated natural gas storage, natural gas liquids storage, and industrial water services in Alberta and energy services in the Northwest Territories.

Storage & Industrial Water adjusted earnings of \$7 million and \$20 million in the third quarter and first nine months of 2023 were \$4 million and \$3 million lower compared to the same periods in 2022 mainly due to lower demand of natural gas storage services, and timing of project costs, partially offset by stronger seasonal spreads in natural gas storage services.

ATCO ENPOWER RECENT DEVELOPMENTS

Chiniki and Goodstoney First Nations Equity Partnership

In September 2023, the Chiniki and Goodstoney First Nations and Canadian Utilities announced a partnership agreement for the Deerfoot and Barlow solar projects, the largest solar installation in an urban centre in Western Canada. Under the terms of the agreement, the Chiniki and Goodstoney First Nations have become the majority owners with a 51 per cent ownership stake in the facilities. The Chiniki and Goodstoney majority ownership of the projects is expected to generate economic benefits for the Indigenous communities and contribute to lasting prosperity for future generations.

The 27-megawatt (MW) Barlow project reached commercial operations in the second quarter of 2023. The 37-MW Deerfoot project commenced generation in the third quarter of 2023 with full commercial operations expected to commence in the fourth quarter.

Lafarge Canada Inc. (Lafarge) Power Purchase Agreement

In September 2023, Canadian Utilities Limited, entered into a 12.5-year virtual power purchase agreement with Lafarge. Under the terms of the agreement, Lafarge's Exshaw cement plant will notionally purchase 100 per cent of the solar power generated from the 38.5-MW Empress solar project, meeting 34 per cent of the plant's power requirements through 2036. The Empress solar project achieved energization in the third quarter of 2023 and full commercial operations is expected to commence in the fourth quarter of 2023.



Empress solar project, Empress, Alberta, Canada

Australia

Subsequent to quarter-end, in October 2023, the South Australian Government announced an Early Contractor Involvement (ECI) agreement with ATCO Australia and our joint venture partner BOC Linde for the South Australian Hydrogen Jobs Plan project, a 250-MW Hydrogen production facility, a 200-MW Hydrogen-fuelled electricity generation facility and a Hydrogen storage facility. Activities under this agreement include developing a contract offer price, and negotiation of engineering, procurement, construction and O&M contracts for delivery and operations of the project. The ECI phase of the project is due for completion in the second quarter of 2024.



Canadian Utilities' Corporate & Other segment includes Rumi and Retail Energy through ATCO Energy which provides home products, home maintenance services, professional advice, and retail electricity and natural gas services in Alberta. Corporate & Other also includes the global corporate head office in Calgary, Canada, the Australia corporate head office in Perth, Australia, and the Mexico corporate head office in Mexico City, Mexico. Canadian Utilities' Corporate & Other includes CU Inc. and Canadian Utilities preferred share dividend and debt expenses.

ADJUSTED EARNINGS

(\$ millions)	Three Months Ended September 30			Nine Months Ended September 30		
	2023	2022	Change	2023	2022	Change
Canadian Utilities Corporate & Other ⁽¹⁾	(30)	(27)	(3)	(82)	(80)	(2)

(1) Additional information is provided under the headings "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Equity Owners of the Company" in this MD&A.

Including intersegment eliminations, Canadian Utilities' Corporate & Other adjusted earnings in the third quarter and first nine months of 2023 were \$3 million and \$2 million lower compared to the same periods in 2022 mainly due to the timing of certain expenses.

Executive Appointment

Effective October 1, 2023, John Ivulich was appointed to Chief Executive Officer & Country Chair of ATCO Australia, our regulated gas utility and non-regulated renewables, power, and clean fuels businesses in Australia.

SUSTAINABILITY, CLIMATE CHANGE AND ENERGY TRANSITION

Within the ATCO group of companies (including Canadian Utilities), we balance the short- and long-term economic, environmental and social considerations of our businesses while creating value for our customers, employees, share owners, and Indigenous and community partners. As a provider of essential services in diverse communities around the world, we operate in an inclusive manner to meet the needs of society today and for generations to come while consistently delivering safe, reliable and affordable services.

The following section outlines commitments made by ATCO, Canadian Utilities' parent company. Canadian Utilities is supportive of the commitments made by ATCO and will play a key part in achieving the ESG targets set by ATCO.

SUSTAINABILITY REPORTING AND ESG TARGETS

ATCO's 2022 Sustainability Report, published in April 2023, focuses on the following material topics:

- Energy Transition - energy transition and innovation, and energy access and affordability;
- Climate Change and Environmental Stewardship - climate change and GHG emissions, and environmental stewardship;
- Operational Reliability and Resilience - system reliability and availability, emergency preparedness and response, and supply chain resilience and responsibility;
- People - diversity, equity and inclusion, occupational health and safety, public health and safety; and
- Community and Indigenous Relations - Indigenous engagement, economic opportunity and reconciliation, and community engagement and investment.

In January 2022, ATCO released its net zero by 2050 commitment as well as an initial set of 2030 ESG Targets. ATCO's Board of Directors recognizes and fully supports the net-zero commitment and 2030 targets, and agrees that these commitments and targets align with our strategic direction. Achieving net zero by 2050 is a societal challenge that no individual, business, or government can solve on its own. It will require unprecedented collaboration among all constituents, as well as an informed, pragmatic, and affordable roadmap from policymakers to unlock the necessary scale and pace of private sector investment and expertise.

The Sustainability Report is based upon the internationally recognized Global Reporting Initiative Standards. Our reporting is also guided by the Sustainability Accounting Standards Board and the Financial Stability Board's Task Force on Climate-related Financial Disclosures' recommendations.

The 2022 Sustainability Report, ESG Datasheet, Corporate Governance, materiality assessment, and additional details and other disclosures are available on our website at www.canadianutilities.com.

CLIMATE CHANGE AND ENERGY TRANSITION

To contribute to a net-zero future, we continue to pursue initiatives to integrate cleaner fuels, renewable energy and energy storage. This includes looking at ways to modernize our energy infrastructure to accommodate new and innovative sources of energy as well as ways to further use energy more efficiently. We are decarbonizing our operations and enabling our customers to transition to lower emitting sources of energy, while maintaining safety, reliability and affordability.

POLICY/REGULATORY UPDATE

On August 3, 2023, the Alberta Minister of Affordability and Utilities issued an announcement that the AUC was directed to pause approvals on new renewable electricity generation projects greater than one megawatt until February 29, 2024. Over this pause period, the AUC will conduct an inquiry to gather input on policy issues which is intended to support the ongoing economic, orderly and efficient development of electricity generation in Alberta. The AUC cannot issue approvals but will continue to process applications (new and existing) up to the approval stage while the pause period is in effect. Projects currently approved are not impacted. At this time, there is no impact to the post-permitted renewable power generation projects currently underway at ATCO EnPower.

OTHER EXPENSES AND INCOME

A financial summary of other consolidated expenses and income items for the third quarter and first nine months of 2023 and 2022 is given below. These amounts are presented in accordance with IFRS accounting standards. They have not been adjusted for the timing of revenues and expenses associated with rate-regulated activities and other items that are not in the normal course of business.

(\$ millions)	Three Months Ended September 30			Nine Months Ended September 30		
	2023	2022	Change	2023	2022	Change
Operating costs	391	532	(141)	1,374	1,600	(226)
Depreciation, amortization and impairment	169	155	14	514	468	46
Earnings from investment in joint ventures	15	21	(6)	48	54	(6)
Net finance costs	103	90	13	301	279	22
Income tax expense	38	32	6	152	156	(4)

OPERATING COSTS

Operating costs, which are total costs and expenses less depreciation, amortization and impairment, decreased by \$141 million in the third quarter of 2023 compared to the same period in 2022. Lower operating costs were mainly due to higher unrealized and realized gains on derivative financial instruments and lower energy costs in ATCO Energy, and lower franchise fees within the Natural Gas Distribution business. Lower operating costs were partially offset by ongoing operational expenses, technology costs, and increased flow-through costs.

Operating costs decreased by \$226 million in the first nine months of 2023 compared to the same period in 2022 mainly due to the factors outlined above, in addition to 2022 costs incurred related to the AUC enforcement proceeding. Lower operating costs were partially offset by legal and other costs related to the Wipro Ltd. (Wipro) Master Services Agreements (MSAs) matter that was concluded on February 26, 2023.

DEPRECIATION, AMORTIZATION AND IMPAIRMENT

Depreciation, amortization and impairment increased by \$14 million and \$46 million in the third quarter and first nine months of 2023 compared to the same periods in 2022 mainly due to the acquisition of the Forty Mile and Adelaide wind assets acquired in January 2023 in ATCO EnPower, an \$8 million impairment of certain electricity generation assets that had been removed from service and determined to have no remaining value in Electricity Transmission in the second quarter of 2023, and ongoing investment in the Regulated Utilities.

EARNINGS FROM INVESTMENT IN JOINT VENTURES

Earnings from investment in joint ventures is mainly comprised of Canadian Utilities' ownership positions in electricity generation plants, Northland Utilities Enterprises Ltd. (NUE) electricity operations in the Northwest Territories, LUMA Energy electricity operations and maintenance in Puerto Rico, and the Strathcona Storage Limited Partnership, which operates hydrocarbon storage facilities at the ATCO Heartland Energy Centre near Fort Saskatchewan, Alberta.

Earnings from investment in joint ventures in the third quarter and first nine months of 2023 were \$6 million lower compared to the same periods in 2022 mainly due to the timing of recovery of costs in 2022 in the LUMA Energy business, partially offset by the inclusion of NUE earnings as an investment in joint venture after the sale of a controlling interest on March 31, 2022.

NET FINANCE COSTS

Net finance costs increased by \$13 million and \$22 million in the third quarter and first nine months of 2023 compared to the same periods in 2022 mainly due to higher interest expense as a result of external financing related to the acquisition of the renewable energy portfolio, partially offset by higher interest income in the first nine months from cash investments.

INCOME TAX EXPENSE

Income taxes were higher by \$6 million in the third quarter of 2023 compared to the same period in 2022 mainly due to higher IFRS earnings before income taxes primarily driven by higher unrealized and realized gains on derivative financial instruments.

Income taxes were lower by \$4 million in the first nine months of 2023 compared to the same period in 2022 mainly due to prior year non-deductible items, partially offset by higher IFRS earnings before income taxes.

LIQUIDITY AND CAPITAL RESOURCES

Our financial position is supported by our Regulated Utilities and our portfolio of ATCO EnPower businesses, which are structured to be highly regulated and long-term contracted. Our business strategies, funding of operations, and planned future growth are supported by maintaining strong investment grade credit ratings and access to capital markets at competitive rates. Primary sources of capital are cash flow from operations and capital markets. Liquidity is generated by cash flow from operations and is supported by appropriate levels of cash and available committed credit facilities.

CREDIT RATINGS

The following table shows the credit ratings assigned to Canadian Utilities Limited, CU Inc. and ATCO Gas Australia Pty Ltd at September 30, 2023.

	DBRS	Fitch
Canadian Utilities Limited		
Issuer	A	A-
Senior unsecured debt	A	A-
Commercial paper	R-1 (low)	F2
Preferred shares	PFD-2	BBB
CU Inc.		
Issuer	A (high)	A-
Senior unsecured debt	A (high)	A
Commercial paper	R-1 (low)	F2
Preferred shares	PFD-2 (high)	BBB+

S&P Global Ratings has assigned Canadian Utilities' subsidiary ATCO Gas Australia Pty Ltd ⁽¹⁾ a BBB+ issuer and senior unsecured debt credit rating with a stable outlook.

(1) ATCO Gas Australia Pty Ltd is a regulated provider of natural gas distribution services in Western Australia, serving metropolitan Perth and surrounding regions.

On July 25, 2023, DBRS Limited affirmed its 'A (high)' long-term corporate credit rating and stable outlook on Canadian Utilities' subsidiary CU Inc.

On August 29, 2023, DBRS Limited affirmed its 'A' long-term corporate credit rating and stable outlook on Canadian Utilities Limited.

LINES OF CREDIT

At September 30, 2023, Canadian Utilities and its subsidiaries had the following lines of credit.

(\$ millions)	Total	Used	Available
Long-term committed	2,680	1,059	1,621
Uncommitted	600	207	393
Total	3,280	1,266	2,014

Of the \$3,280 million in total lines of credit, \$600 million was in the form of uncommitted credit facilities with no set maturity date. The other \$2,680 million in credit lines was committed with maturities between 2024 and 2026, and may be extended at the option of the lenders.

Of the \$1,266 million in lines of credit used, \$619 million was related to ATCO Gas Australia Pty Ltd. Long-term committed credit lines are used to satisfy all of ATCO Gas Australia Pty Ltd's term debt financing needs. The majority of the remaining usage is related to the funding of the renewable energy portfolio acquisition in ATCO EnPower and the issuance of letters of credit.

CONSOLIDATED CASH FLOW

At September 30, 2023, the Company's cash position was \$417 million, a decrease of \$281 million compared to December 31, 2022 mainly due to cash used to fund the capital investment program including the acquisition of renewable energy assets in January 2023, investments in marketable securities, dividends paid, payments of debt and interest, partially offset by Canadian Utilities' debt issuances and cash flows from operating activities achieved during the first nine months of 2023.

Cash Flows from Operating Activities

Cash flows from operating activities were \$394 million in the third quarter of 2023, \$14 million higher than the same period in 2022 mainly due to higher cash flows generated from operations, largely related to the acquisitions of the Forty Mile and Adelaide wind assets.

Cash flows from operating activities were \$1,276 million in the first nine months of 2023, \$256 million lower than the same period in 2022. These decreases were mainly due to lower cash flows from the recovery of the 2021 deferral of rate increases, timing of certain revenue and expenses, and the timing of payables.

Cash Used for Capital Investment ⁽¹⁾ and Capital Expenditures

Total capital investment of \$331 million and capital expenditures of \$330 million in the third quarter of 2023 were \$48 million and \$44 million lower compared to the same period in 2022 mainly due to construction activity in 2022 related to the expansion of the Carbon natural gas storage facility in the ATCO EnPower segment.

Total capital investment of \$1,663 million in the first nine months of 2023 was \$722 million higher compared to the same period in 2022 mainly due to the first quarter acquisition of the renewable energy portfolio and ongoing capital spend related to the Barlow, Deerfoot and Empress solar projects in the ATCO EnPower segment, and ongoing capital investment in the Regulated Utilities.

Total capital expenditures of \$966 million in the first nine months of 2023 were \$35 million higher compared to the same period in 2022 mainly due to ongoing capital investment in the Regulated Utilities.

⁽¹⁾ Additional information regarding this non-GAAP measure is provided under the headings "Other Financial and Non-GAAP Measures" and "Reconciliation of Capital Investment to Capital Expenditures" in this MD&A.

Capital investment and capital expenditures for the third quarter and first nine months of 2023 and 2022 are shown in the following table.

(\$ millions)	Three Months Ended September 30			Nine Months Ended September 30		
	2023	2022	Change	2023	2022	Change
ATCO Energy Systems						
Electricity	156	136	20	450	367	83
Natural Gas	151	157	(6)	404	386	18
	307	293	14	854	753	101
ATCO EnPower	22	78	(56)	105	170	(65)
CU Corporate & Other	1	3	(2)	7	8	(1)
Canadian Utilities Total Capital Expenditures ⁽¹⁾⁽²⁾	330	374	(44)	966	931	35
Capital Expenditures in joint ventures						
ATCO Energy Systems						
Electricity	—	2	(2)	2	4	(2)
ATCO EnPower	1	3	(2)	4	6	(2)
Business Combination						
ATCO EnPower	—	—	—	691	—	691
Canadian Utilities Total Capital Investment ⁽³⁾	331	379	(48)	1,663	941	722

(1) Includes additions to property, plant and equipment, intangibles and \$4 million and \$15 million (2022 - \$5 million and \$10 million) of capitalized interest during construction for the third quarter and first nine months of 2023.

(2) Includes \$37 million and \$117 million for the third quarter and first nine months of 2023 (2022 - \$44 million and \$152 million) of capital expenditures, mainly in ATCO Energy Systems, that were funded with the assistance of customer contributions.

(3) Additional information regarding this non-GAAP measure is provided under the headings "Other Financial and Non-GAAP Measures" and "Reconciliation of Capital Investment to Capital Expenditures" in this MD&A.

Marketable Securities

In February 2023, the Company initially invested excess cash of \$190 million in a diversified portfolio of marketable securities, with the objective of delivering competitive returns and maintaining a high degree of liquidity. The Company's marketable securities are actively managed by an external investment manager with the majority of the investments being highly liquid and redeemable within seven business days.

The marketable securities investments are measured at fair value. Realized gains, primarily representing interest income received of \$2 million and \$4 million, were recorded in the third quarter and first nine months of 2023. Unrealized losses, representing periodic temporary fluctuations in fair value measurement of \$2 million in the first nine months of 2023, were recognized in other costs and expenses.

Dividends and Common Shares

We have increased our common share dividend each year since 1972, a 51-year track record. Dividends paid to Class A and Class B share owners totaled \$114 million net of dividends reinvested in the third quarter of 2023 and \$346 million in the first nine months of 2023.

On September 12, 2023, the Board of Directors declared a fourth quarter dividend of 44.86 cents per share. The payment of any dividend is at the discretion of the Board of Directors and depends on our financial condition and other factors.

Debt Issuance

On September 20, 2023, CU Inc. issued \$340 million of 5.088 per cent 30-year debentures. Proceeds from the issue will be used to finance capital expenditures and for other general corporate purposes.

Normal Course Issuer Bid

We believe that, from time to time, the market price of our Class A shares may not fully reflect the value of our business, and that purchasing Class A shares represents a desirable use of available funds. The purchase of Class A shares, at appropriate prices, will also minimize any dilution resulting from the exercise of stock options.

On September 7, 2023, we commenced a normal course issuer bid to purchase up to 2,018,434 outstanding Class A shares. The bid will expire on September 6, 2024. To date, no shares have been purchased.

Dividend Reinvestment Plan (DRIP)

On January 13, 2022, the Company reinstated its DRIP for eligible Class A non-voting and Class B common share owners who are enrolled in the program. The DRIP was previously suspended effective January 10, 2019.

In the third quarter of 2023, Canadian Utilities issued 225,470 Class A shares under the DRIP using re-invested dividends of \$7 million.

In the first nine months of 2023, Canadian Utilities issued 512,891 Class A shares under the DRIP using re-invested dividends of \$17 million.

SHARE CAPITAL

Canadian Utilities' equity securities consist of Class A shares and Class B shares.

At October 24, 2023, we had outstanding 202,069,665 Class A shares, 68,365,218 Class B shares, and options to purchase 2,534,650 Class A shares.

CLASS A NON-VOTING SHARES AND CLASS B VOTING SHARES

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

If a take-over bid is made for the Class B shares and if it would result in the offeror owning more than 50 per cent of the outstanding Class B shares (excluding any Class B shares acquired upon conversion of Class A shares), the Class A share owners are entitled, for the duration of the take-over bid, to exchange their Class A shares for Class B shares and to tender the newly exchanged Class B shares to the take-over bid. Such right of exchange and tender is conditional on completion of the applicable take-over bid.

In addition, Class A share owners are entitled to exchange their shares for Class B shares if ATCO Ltd., the Company's controlling share owner, ceases to own or control, directly or indirectly, more than 10,000,000 of the issued and outstanding Class B shares. In either case, each Class A share is exchangeable for one Class B share, subject to changes in the exchange ratio for certain events such as a stock split or rights offering.

Of the 12,800,000 Class A shares authorized for grant of options under our stock option plan, 10,215,250 Class A shares were available for issuance at September 30, 2023. Options may be granted to officers and key employees of the Company and its subsidiaries at an exercise price equal to the weighted average of the trading price of the shares on the Toronto Stock Exchange for the five trading days immediately preceding the grant date. The vesting provisions and exercise period (which cannot exceed 10 years) are determined at the time of grant.

QUARTERLY INFORMATION

The following table shows financial information for the eight quarters ended December 31, 2021 through September 30, 2023.

<i>(\$ millions, except for per share data)</i>	Q4 2022	Q1 2023	Q2 2023	Q3 2023
Revenues	1,107	1,131	879	812
Earnings attributable to equity owners of the Company	145	292	105	125
Earnings attributable to Class A and B shares	125	273	86	105
Earnings per Class A and Class B share (\$)	0.46	1.01	0.32	0.39
Diluted earnings per Class A and Class B share (\$)	0.46	1.01	0.32	0.39
Adjusted earnings per Class A and Class B share (\$)	0.66	0.81	0.37	0.32
Adjusted earnings (loss)				
ATCO Energy Systems ⁽¹⁾	189	226	119	108
ATCO EnPower	5	15	9	9
Corporate & Other and Intersegment Eliminations	(14)	(24)	(28)	(30)
Total adjusted earnings⁽¹⁾	180	217	100	87
<i>(\$ millions, except for per share data)</i>	Q4 2021	Q1 2022	Q2 2022	Q3 2022
Revenues	1,028	1,110	933	898
Earnings attributable to equity owners of the Company	176	227	151	109
Earnings attributable to Class A and Class B shares	160	209	134	89
Earnings per Class A and Class B share (\$)	0.59	0.78	0.50	0.33
Diluted earnings per Class A and Class B share (\$)	0.59	0.78	0.50	0.32
Adjusted earnings per Class A and Class B share (\$)	0.71	0.81	0.51	0.45
Adjusted earnings (loss)				
ATCO Energy Systems ⁽¹⁾	206	234	156	135
ATCO EnPower	4	8	10	12
Corporate & Other and Intersegment Eliminations	(18)	(23)	(30)	(27)
Total adjusted earnings⁽¹⁾	192	219	136	120

(1) Additional information regarding these total of segments measures is provided under the headings "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Equity Owners of the Company" in this MD&A.

Our financial results for the previous eight quarters reflect the timing of utility regulatory decisions, and the seasonal nature of demand for natural gas and electricity.

ADJUSTED EARNINGS

Adjusted earnings in the fourth quarter of 2022 were lower compared to the same period in 2021 mainly due to timing of cost recoveries in International Electricity Operations, the timing of operating costs in Electricity Distribution, Natural Gas Distribution and International Electricity Operations, and increased financing costs from a new preferred dividend issuance in December 2021 at Canadian Utilities' Corporate. Earnings were partially offset by timing of certain expenses and higher interest income earned in Corporate and Other.

Adjusted earnings in the first quarter of 2023 were lower compared to the same period in 2022 mainly due to cost efficiencies generated by Electricity Distribution and Natural Gas Distribution over the second generation PBR term now being passed onto customers under the 2023 COS rebasing framework. Lower earnings were partially offset by ATCO EnPower's acquisition of the Forty Mile and Adelaide wind assets in January 2023, new cost efficiencies realized in 2023 in Electricity Distribution and Natural Gas Distribution, and the timing of the impact of inflation indexing on rate base in 2022 in International Natural Gas Distribution.

Adjusted earnings in the second and third quarters of 2023 were lower compared to the same periods in 2022 mainly due to cost efficiencies generated by Electricity Distribution and Natural Gas Distribution over the second generation PBR term now being passed onto customers under the 2023 COS rebasing framework, and the impact of inflation indexing on rate base in 2022 in International Natural Gas Distribution.

EARNINGS ATTRIBUTABLE TO EQUITY OWNERS OF THE COMPANY

Earnings attributable to equity owners of the Company includes timing adjustments related to rate-regulated activities and unrealized gains or losses on mark-to-market forward and swap commodity contracts. They also include one-time gains and losses, impairments, and other items that are not in the normal course of business or a result of day-to-day operations recorded at various times over the past eight quarters. These items are excluded from adjusted earnings and are highlighted below:

- Early Termination of the MSAs for Managed IT Services
 - The transition of the managed IT services from Wipro to IBM commenced on February 1, 2021 and was completed by December 31, 2021. In 2021, the Company recognized transition costs of \$38 million (after-tax).
 - In the first quarter of 2023, the Company recognized legal and other costs of \$9 million (after-tax) related to the Wipro MSAs matter which was concluded on February 26, 2023.
- During the fourth quarter of 2021, the Company recorded earnings of \$17 million (after-tax) following the conclusion of the Company's involvement in an international project.
- On April 14, 2022, the AUC Enforcement branch and ATCO Electric Transmission filed a settlement with the AUC regarding a sole source contract for the Jasper interconnection project. On June 29, 2022, the AUC issued its decision approving the settlement in its entirety. 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 proceeding.
- 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 provided severance. In the first quarter of 2022, the Company incurred \$8 million (after-tax) in severance and related costs associated with the Workplace COVID-19 vaccination standard.
- On March 31, 2022, the Company and Denendeh Investments Incorporated (DII) entered into a share purchase agreement to increase DII's ownership interest in NUE from 14 per cent to 50 per cent. The transaction resulted in a gain on sale of \$5 million (after-tax). Effective March 31, 2022, the Company no longer consolidates NUE as a controlled subsidiary, and instead, accounts for its interest in NUE as an investment in joint venture using the equity method.
- In the fourth quarter of 2022, a reversal of impairment of \$4 million (after-tax) was recorded mainly related to ATCO EnPower's joint venture investment in the Osborne electricity cogeneration facility located in South Australia. The reversal resulted from an improvement in the future outlook of power market prices.
- In the second quarter of 2023, the Company recognized an impairment of \$8 million (after-tax) relating to certain electricity generation assets in Electricity Transmission. These assets had been removed from service and it was determined that they no longer had any remaining value.

OTHER FINANCIAL AND NON-GAAP MEASURES

Other financial measures presented in this MD&A consist of:

1. Adjusted earnings which are a key measure of segment earnings that are used to assess segment performance and allocate resources; and
2. Total of segments measures, which are defined as financial measures disclosed by an issuer that are a subtotal or total of two or more reportable segments.

Adjusted earnings are defined as earnings attributable to equity owners of the Company after adjusting for the timing of revenues and expenses associated with rate-regulated activities, dividends on equity preferred shares of the Company, and unrealized gains or losses on mark-to-market forward and swap commodity contracts. Adjusted earnings also exclude 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 present earnings from rate-regulated activities on the same basis as was used prior to adopting IFRS - that basis being the US accounting principles for rate-regulated activities. Adjusted earnings are presented in Note 3 of the unaudited interim consolidated financial statements. Adjusted earnings per Class A and Class B share are calculated by dividing adjusted earnings by the weighted average number of shares outstanding for the period.

Adjusted earnings are most directly comparable to earnings attributable to equity owners of the Company but is not a standardized financial measure under the reporting framework used to prepare our financial statements. Adjusted earnings may not be comparable to similar financial measures disclosed by other issuers. Management's view is that adjusted earnings allow for a more effective analysis of operating performance and trends. For investors, adjusted earnings may provide value as they exclude items that are not in the normal course of business and, as such, provide insight as to earnings resulting from the issuer's usual course of business. A reconciliation of adjusted earnings to earnings attributable to equity owners of the Company is presented in this MD&A.

Total of segments measures are most directly comparable to total earnings attributable to equity owners of the Company. Comparable total of segments measures for the same period in 2022 have been calculated using the same composition and are disclosed alongside the current total of segments measures in this MD&A. A reconciliation of the total of segments measures with total earnings attributable to equity owners of the Company is presented in this MD&A.

Non-GAAP financial measures presented in this MD&A are defined as financial measures disclosed by an issuer that are not disclosed in the financial statements.

Capital investment is a non-GAAP financial measure defined as cash used for capital expenditures, business combinations, and cash used in the Company's share of capital expenditures in joint ventures. Capital expenditures include additions to property, plant and equipment and intangibles as well as interest capitalized during construction. Capital investment is most directly comparable to capital expenditures. Capital investment is not a standardized financial measure under the reporting framework used to prepare our financial statements. Capital investment may not be comparable to similar financial measures disclosed by other issuers. Management views capital investment as the Company's total cash investment in assets. For investors, capital investment is useful because it identifies how much cash is being used to acquire and invest in assets. A reconciliation of capital investments to capital expenditures is presented in this MD&A.

RECONCILIATION OF ADJUSTED EARNINGS TO EARNINGS ATTRIBUTABLE TO EQUITY OWNERS OF THE COMPANY

Adjusted earnings are earnings attributable to equity owners of the Company after adjusting for the timing of revenues and expenses associated with rate-regulated activities, dividends on equity preferred shares of the Company, and unrealized gains or losses on mark-to-market forward and swap commodity contracts. Adjusted earnings also exclude 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 that management uses to assess segment performance and allocate resources. It is management's view that adjusted earnings allow a better assessment of the economics of rate regulation in Canada and Australia than IFRS earnings. Additional information regarding this measure is provided in the Other Financial and Non-GAAP Measures section of this MD&A.

	Three Months Ended September 30				
(\$ millions)					
2023	ATCO Energy Systems	ATCO EnPower	Corporate & Other	Intersegment Eliminations	Consolidated
2022					
Revenues	659	72	99	(18)	812
	721	67	120	(10)	898
Adjusted earnings (loss)	108	9	(30)	—	87
	135	12	(27)	—	120
Unrealized gains (losses) on mark-to-market forward and swap commodity contracts	—	—	70	—	70
	—	—	(17)	—	(17)
Rate-regulated activities	(46)	—	(1)	—	(47)
	(9)	—	(1)	—	(10)
IT Common Matters decision	(5)	—	—	—	(5)
	(4)	—	—	—	(4)
Dividends on equity preferred shares of Canadian Utilities Limited	—	—	20	—	20
	—	—	20	—	20
Earnings (loss) attributable to equity owners of the Company	57	9	59	—	125
	122	12	(25)	—	109

	Nine Months Ended September 30				
(\$ millions)					
2023	ATCO Energy Systems	ATCO EnPower	Corporate & Other	Intersegment Eliminations	Consolidated
2022					
Revenues	2,322	273	319	(92)	2,822
	2,482	218	292	(51)	2,941
Adjusted earnings (loss)	453	33	(82)	—	404
	525	30	(80)	—	475
Impairment	(8)	—	—	—	(8)
	—	—	—	—	—
Unrealized gains (losses) on mark-to-market forward and swap commodity contract	—	—	138	—	138
	—	—	(48)	—	(48)
Rate-regulated activities	(48)	—	2	—	(46)
	46	—	—	—	46
IT Common Matters decision	(15)	—	—	—	(15)
	(11)	—	—	—	(11)
Transition of managed IT services	(8)	—	(1)	—	(9)
	—	—	—	—	—
Dividends on equity preferred shares of Canadian Utilities Limited	—	—	58	—	58
	—	—	55	—	55
AUC enforcement proceeding	—	—	—	—	—
	(27)	—	—	—	(27)
Workplace COVID-19 vaccination standard	—	—	—	—	—
	(8)	—	—	—	(8)
Gain on sale of ownership interest in a subsidiary company	—	—	—	—	—
	5	—	—	—	5
Earnings (loss) attributable to equity owners of the Company	374	33	115	—	522
	530	30	(73)	—	487

IMPAIRMENT

In the second quarter of 2023, the Company recognized an impairment of \$8 million (after-tax) relating to certain electricity generation assets in Electricity Transmission. These assets had been removed from service and it was determined that they no longer had any remaining value.

UNREALIZED GAINS AND LOSSES ON MARK-TO-MARKET FORWARD AND SWAP COMMODITY CONTRACTS

The Company's retail electricity and natural gas business in Alberta enters into fixed-price swap commodity contracts to manage exposure to electricity and natural gas prices and volumes. These contracts are measured at fair value. Unrealized gains and losses due to changes in the fair value of fixed-price swap commodity contracts are recognized in the Corporate & Other segment.

The CODM believes that removal of the unrealized gains and losses on mark-to-market forward and swap commodity contracts provides a better representation of operating results for the Company's operations.

Realized gains or losses are recognized in adjusted earnings when the commodity contracts are settled.

RATE-REGULATED ACTIVITIES

ATCO Electric Transmission, ATCO Electric Distribution, ATCO Electric Yukon, Northland Utilities (NWT), Northland Utilities (Yellowknife), ATCO Gas, ATCO Pipelines and ATCO Gas Australia are collectively referred to as the Regulated 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 Regulated Utilities do not recognize assets and liabilities from rate-regulated activities as may be directed by regulatory decisions. Instead, the Regulated 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
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.
Revenues to be billed in future periods	Deferred income taxes, impact of warmer temperatures, and impact of inflation on rate base.	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.
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.
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 and nine months ended September 30, 2023, the significant timing adjustments as a result of the differences between rate-regulated accounting and IFRS are as follows:

(\$ millions)	Three Months Ended September 30			Nine Months Ended September 30		
	2023	2022	Change	2023	2022	Change
Additional revenues billed in current period						
Future removal and site restoration costs ⁽¹⁾	24	29	(5)	90	91	(1)
Revenues to be billed in future periods						
Deferred income taxes ⁽²⁾	(39)	(18)	(21)	(113)	(65)	(48)
Impact of warmer temperatures ⁽³⁾	(3)	(6)	3	(10)	(8)	(2)
Impact of inflation on rate base ⁽⁴⁾	(11)	(21)	10	(32)	(42)	10
Settlement of regulatory decisions and other items						
Distribution rate relief ⁽⁵⁾	4	19	(15)	13	84	(71)
Other ⁽⁶⁾	(22)	(13)	(9)	6	(14)	20
	(47)	(10)	(37)	(46)	46	(92)

(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) Natural 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 normal temperatures in the current period are refunded to or recovered from customers in future periods.

(4) The inflation-indexed portion of International Natural Gas Distribution's rate base is billed to customers through the recovery of depreciation in subsequent years based on the actual or forecasted annual rate of inflation. Under rate-regulated accounting, revenue is recognized in the current period for the inflation component of rate base when it is earned. Differences between the amounts earned and the amounts billed to customers are deferred and recognized in revenues over the service life of the related assets.

(5) In 2021, in response to the COVID-19 pandemic, Electricity Distribution and Natural Gas Distribution had interim rate relief for customers approved by the AUC to hold current distribution base rates in place. Based on direction from the AUC, collection of 2021 deferred rates commenced in 2022 and for the three and nine months ended September 30, 2023, \$4 million and \$13 million (after-tax) (2022 - \$19 million and \$84 million (after-tax)) was billed to customers.

(6) In the three months ended September 30, 2023, ATCO Electric Transmission refunded customers approximately \$17 million (after-tax) to settle deferral accounts related primarily to property taxes and direct assigned capital.

IT COMMON MATTERS DECISION

Consistent with the treatment of the gain on sale in 2014 from the IT services business by the Company, financial impacts associated with the IT Common Matters decision are excluded from adjusted earnings. The amount excluded from adjusted earnings for the three and nine months ended September 30, 2023 was \$5 million and \$15 million (after-tax) (2022 - \$4 million and \$11 million (after-tax)).

TRANSITION OF MANAGED IT SERVICES

In the first quarter of 2023, the Company recognized additional legal and other costs of \$9 million (after tax) related to the Wipro Ltd. MSA matter that was concluded on February 26, 2023.

AUC ENFORCEMENT PROCEEDING

On April 14, 2022, the AUC Enforcement branch and ATCO Electric Transmission filed a settlement with the AUC regarding a sole source contract for the Jasper interconnection project. On June 29, 2022, the AUC issued its decision approving the settlement in its entirety. In the first quarter of 2022, the Company recognized costs of \$27 million (after-tax) related to the proceeding.

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 provided severance. In the first quarter of 2022, the Company incurred \$8 million (after-tax) in severance and related costs associated with the Workplace COVID-19 vaccination standard.

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 NUE from 14 per cent to 50 per cent. The transaction resulted in a gain on sale of \$5 million (after-tax). Effective March 31, 2022, the Company no longer consolidates NUE as a controlled subsidiary, and instead, accounts for its interest in NUE as an investment in joint venture using the equity method.

ATCO ENERGY SYSTEMS

The following tables reconcile adjusted earnings for ATCO Energy Systems business unit to the directly comparable financial measure, earnings attributable to equity owners of the Company.

Three Months Ended
September 30

(\$ millions)

2023	Canadian Utilities Limited								
	Electricity				Natural Gas				ATCO Energy Systems
	Electricity Distribution	Electricity Transmission	International Electricity	Consolidated Electricity	Natural Gas Distribution	Natural Gas Transmission	International Natural Gas	Consolidated Natural Gas	
2022									
Adjusted earnings (loss)	38	45	12	95	(30)	21	22	13	108
	41	41	17	99	(16)	22	30	36	135
Rate-regulated activities	(8)	(41)	—	(49)	16	(1)	(12)	3	(46)
	(8)	5	—	(3)	15	(3)	(18)	(6)	(9)
IT Common Matters decision	(2)	(2)	—	(4)	(1)	—	—	(1)	(5)
	(1)	(2)	—	(3)	(1)	—	—	(1)	(4)
Earnings (loss) attributable to equity owners of the Company	28	2	12	42	(15)	20	10	15	57
	32	44	17	93	(2)	19	12	29	122

(\$ millions)

2023	Canadian Utilities Limited								
	Electricity				Natural Gas				ATCO Energy Systems
	Electricity Distribution	Electricity Transmission	International Electricity	Consolidated Electricity	Natural Gas Distribution	Natural Gas Transmission	International Natural Gas	Consolidated Natural Gas	
2022									
Adjusted earnings	104	126	34	264	58	69	62	189	453
	128	128	39	295	95	68	67	230	525
Impairment	—	(8)	—	(8)	—	—	—	—	(8)
	—	—	—	—	—	—	—	—	—
Rate-regulated activities	3	(36)	—	(33)	26	(6)	(35)	(15)	(48)
	(7)	26	—	19	72	(4)	(41)	27	46
IT Common Matters decision	(5)	(4)	—	(9)	(5)	(1)	—	(6)	(15)
	(3)	(4)	—	(7)	(3)	(1)	—	(4)	(11)
Transition of managed IT services	(1)	—	—	(1)	(1)	—	(6)	(7)	(8)
	—	—	—	—	—	—	—	—	—
AUC enforcement proceeding	—	—	—	—	—	—	—	—	—
	—	(27)	—	(27)	—	—	—	—	(27)
Workplace COVID-19 vaccination standard	—	—	—	—	—	—	—	—	—
	(2)	(1)	—	(3)	(3)	(2)	—	(5)	(8)
Gain on sale of ownership interest in a subsidiary company	—	—	—	—	—	—	—	—	—
	5	—	—	5	—	—	—	—	5
Earnings attributable to equity owners of the Company	101	78	34	213	78	62	21	161	374
	121	122	39	282	161	61	26	248	530

RECONCILIATION OF CAPITAL INVESTMENT TO CAPITAL EXPENDITURES

Capital investment is a non-GAAP financial measure defined as cash used for capital expenditures, business combinations, and cash used in the Company's share of capital expenditures in joint ventures. In management's opinion, capital investment reflects the Company's total cash investment in assets. Capital expenditures include additions to property, plant and equipment and intangibles as well as interest capitalized during construction. Additional information regarding this non-GAAP measure is provided in the Other Financial and Non-GAAP Measures section of this MD&A.

(\$ millions)				Three Months Ended September 30	
2023	ATCO Energy Systems	ATCO EnPower	CU Corporate & Other	Consolidated	
2022					
Capital Investment	307	23	1	331	
	295	81	3	379	
Capital Expenditure in joint ventures	—	(1)	—	(1)	
	(2)	(3)	—	(5)	
Capital Expenditures	307	22	1	330	
	293	78	3	374	

(\$ millions)				Nine Months Ended September 30	
2023	ATCO Energy Systems	ATCO EnPower	CU Corporate & Other	Consolidated	
2022					
Capital Investment	856	800	7	1,663	
	757	176	8	941	
Capital Expenditure in joint ventures	(2)	(4)	—	(6)	
	(4)	(6)	—	(10)	
Business Combination ⁽¹⁾	—	(691)	—	(691)	
	—	—	—	—	
Capital Expenditures	854	105	7	966	
	753	170	8	931	

(1) Business combination refers to the acquisition of the renewable energy portfolio in the ATCO EnPower segment in 2023.

OTHER FINANCIAL INFORMATION

INTERNAL CONTROL OVER FINANCIAL REPORTING

The certification of interim filings for the interim period ended September 30, 2023, requires that the Company disclose in the interim MD&A any changes in the Company's internal controls over financial reporting (ICFR) that occurred during the period that have materially affected, or are reasonably likely to materially affect, the Company's ICFR. The Company confirms that no such changes were identified in the Company's ICFR during the three months beginning on July 1, 2023 and ending on September 30, 2023.

FORWARD-LOOKING INFORMATION

Certain statements contained in this MD&A 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 MD&A includes, but is not limited to, references to: strategic plans and targets, including ESG targets and the commitment to achieve net zero GHG emissions by 2050; expected emissions reductions, and decarbonization to enable customers to transition to lower emitting sources of energy while maintaining safety, reliability and affordability; the expected timing of the commencement or completion of activities and contracts; the expected term of contracts; the impact or benefits of contracts, including economic and other benefits for the Company and its partners and counterparties; expected inflation; anticipated timing for updates to the ROE rates annually; the payment of dividends; expected dividend growth; expected growth and expansion opportunities; the expected electricity generation capacity of the Deerfoot, Barlow and Empress solar projects; the expected timing of full commercial operations for the Deerfoot and Empress solar projects; the expected impact of regulatory decisions and new regulatory announcements; the expected use of proceeds from CU Inc.'s \$340 million debenture issuance; and the expected hydrogen production, electricity generation and hydrogen storage capacity of the facilities planned in connection with the South Australian Hydrogen Jobs Plan project and the expected timing of the project.

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 meet its initial set of 2030 ESG targets and 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 ESG targets; continuing collaboration with certain business partners and engagement with new business partners, and 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, regulations and government policies; regulatory decisions; competitive factors in the industries in which the Company operates; prevailing market and 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 Company's Management's Discussion and Analysis for the year ended December 31, 2022.

This MD&A 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 MD&A.

Any forward-looking information contained in this MD&A 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

Canadian Utilities has published its unaudited interim consolidated financial statements and MD&A for the nine months ended September 30, 2023. Copies of these documents may be obtained upon request from Investor Relations at 3rd Floor, West Building, 5302 Forand Street S.W., Calgary, Alberta, T3E 8B4, telephone 403-292-7500, or email investorrelations@atco.com.

GLOSSARY

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.

CODM means Chief Operating Decision Maker, and is comprised of the Chair & Chief Executive Officer, and the other members of the Executive Committee.

Company means Canadian Utilities Limited and, unless the context otherwise requires, includes its subsidiaries and joint arrangements.

COS means Cost of Service.

Customer contributions are non-refundable cash contributions made by customers for certain additions to property, plant and equipment, mainly in the Utilities. These contributions are made when the estimated revenue is less than the cost of providing service.

DRIP means Dividend Reinvestment Plan.

ESG means Environmental, Social and Governance.

GAAP means Canadian generally accepted accounting principles.

GHG means greenhouse gas.

IFRS means International Financial Reporting Standards.

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

PBR means Performance Based Regulation.

Regulated Utilities means Electricity Distribution, Electricity Transmission, Natural Gas Distribution, Natural Gas Transmission and International Natural Gas Distribution.



CANADIAN UTILITIES LIMITED
An **ATCO** Company

CANADIAN UTILITIES LIMITED
INTERIM CONSOLIDATED
FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023

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CONSOLIDATED STATEMENTS OF EARNINGS

<i>(millions of Canadian Dollars except per share data)</i>	Note	Three Months Ended September 30		Nine Months Ended September 30	
		2023	2022	2023	2022
Revenues	4	812	898	2,822	2,941
Costs and expenses					
Salaries, wages and benefits		(99)	(89)	(287)	(273)
Energy transmission and transportation		(72)	(68)	(221)	(202)
Plant and equipment maintenance		(65)	(62)	(181)	(151)
Fuel costs		(12)	(25)	(93)	(120)
Purchased power		(70)	(87)	(205)	(221)
Depreciation, amortization and impairment		(169)	(155)	(514)	(468)
Franchise fees		(49)	(55)	(220)	(244)
Property and other taxes		(18)	(17)	(56)	(53)
Other		(6)	(129)	(111)	(336)
		(560)	(687)	(1,888)	(2,068)
Earnings from investment in joint ventures		15	21	48	54
Operating profit		267	232	982	927
Interest income		12	12	40	21
Interest expense		(115)	(102)	(341)	(300)
Net finance costs		(103)	(90)	(301)	(279)
Earnings before income taxes		164	142	681	648
Income tax expense		(38)	(32)	(152)	(156)
Earnings for the period		126	110	529	492
Earnings attributable to:					
Equity owners of the Company		125	109	522	487
Non-controlling interests		1	1	7	5
		126	110	529	492
Earnings per Class A and Class B share	5	\$0.39	\$0.33	\$1.72	\$1.61
Diluted earnings per Class A and Class B share	5	\$0.39	\$0.32	\$1.72	\$1.60

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

<i>(millions of Canadian Dollars)</i>	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
Earnings for the period	126	110	529	492
Other comprehensive (loss) income, net of income taxes				
<i>Items that will not be reclassified to earnings:</i>				
Re-measurement of retirement benefits ⁽¹⁾	13	(7)	41	(1)
<i>Items that are or may be reclassified subsequently to earnings:</i>				
Cash flow hedges ⁽²⁾	(35)	39	(120)	99
Foreign currency translation adjustment ⁽³⁾	(8)	(3)	(29)	(20)
Share of other comprehensive loss income of joint ventures ⁽³⁾	-	1	3	1
	(43)	37	(146)	80
Other comprehensive (loss) income	(30)	30	(105)	79
Comprehensive income for the period	96	140	424	571
Comprehensive income attributable to:				
Equity owners of the Company	95	139	417	566
Non-controlling interests	1	1	7	5
	96	140	424	571

(1) Net of income taxes of \$(3) million and \$(11) million for the three and nine months ended September 30, 2023 (2022 - \$2 million and nil).

(2) Net of income taxes of \$12 million and \$37 million for the three and nine months ended September 30, 2023 (2022 - \$(13) million and \$(34) million).

(3) Net of income taxes of nil.

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

		September 30	December 31
<i>(millions of Canadian Dollars)</i>	Note	2023	2022
ASSETS			
Current assets			
Cash and cash equivalents	13	418	698
Marketable securities	6	192	–
Accounts receivable and contract assets	13	502	873
Finance lease receivables		11	11
Inventories		60	24
Prepaid expenses and other current assets		216	261
		1,399	1,867
Non-current assets			
Property, plant and equipment	7, 13	19,624	18,596
Intangibles	13	938	819
Retirement benefit asset		72	21
Right-of-use assets	13	51	50
Goodwill	13	145	–
Investment in joint ventures		233	237
Finance lease receivables		126	138
Deferred income tax assets		21	26
Other assets	13	237	220
Total assets		22,846	21,974
LIABILITIES			
Current liabilities			
Bank indebtedness		1	–
Accounts payable and accrued liabilities	13	639	989
Lease liabilities		8	7
Provisions and other current liabilities	9	208	215
Long-term debt	8	791	106
		1,647	1,317
Non-current liabilities			
Deferred income tax liabilities	13	2,047	1,788
Retirement benefit obligations		199	204
Customer contributions		2,051	1,989
Lease liabilities	13	46	44
Other liabilities		127	132
Long-term debt	8, 13	9,745	9,434
Total liabilities		15,862	14,908
EQUITY			
Equity preferred shares	9	1,571	1,571
Class A and Class B share owners' equity			
Class A and Class B shares	10	1,269	1,237
Contributed surplus		14	9
Retained earnings		3,938	3,936
Accumulated other comprehensive (loss) income		(18)	126
Total equity attributable to equity owners of the Company		6,774	6,879
Non-controlling interests	13	210	187
Total equity		6,984	7,066
Total liabilities and equity		22,846	21,974

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(millions of Canadian Dollars)	Attributable to Equity Owners of the Company						Total	Non-Controlling Interests	Total Equity
	Note	Class A and Class B Shares	Equity Preferred Shares	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive (Loss) Income			
December 31, 2021		1,216	1,571	8	3,862	(22)	6,635	187	6,822
Earnings for the period		-	-	-	487	-	487	5	492
Other comprehensive income		-	-	-	-	79	79	-	79
Losses on retirement benefits transferred to retained earnings		-	-	-	(1)	1	-	-	-
Shares issued	10	13	-	-	-	-	13	-	13
Dividends ⁽¹⁾	9, 10	-	-	-	(414)	-	(414)	(5)	(419)
Share-based compensation		1	-	-	-	-	1	-	1
Other		-	-	1	(1)	-	-	-	-
September 30, 2022		1,230	1,571	9	3,933	58	6,801	187	6,988
December 31, 2022		1,237	1,571	9	3,936	126	6,879	187	7,066
Earnings for the period		-	-	-	522	-	522	7	529
Other comprehensive loss		-	-	-	-	(105)	(105)	-	(105)
Gains on retirement benefits transferred to retained earnings		-	-	-	41	(41)	-	-	-
Shares issued	10	18	-	-	-	-	18	-	18
Sale of shares from MTIP Trust	10	14	-	2	-	-	16	-	16
Acquisition	13	-	-	-	-	-	-	27	27
Dividends ⁽¹⁾	9, 10	-	-	-	(561)	-	(561)	(11)	(572)
Share-based compensation		-	-	2	-	-	2	-	2
Other		-	-	1	-	2	3	-	3
September 30, 2023		1,269	1,571	14	3,938	(18)	6,774	210	6,984

(1) For the nine months ended September 30, 2023, dividends attributable to equity owners of the Company of \$561 million (2022 - \$414 million) include dividends of \$140 million (2022 - nil) payable on December 1, 2023 to Class A and Class B and Equity Preferred share owners (see notes 9 and 10). In addition, dividends attributable to the equity owners of the Company include \$17 million (2022 - \$12 million) of dividends paid to Class A and Class B share owners by issuing 512,891 (2022 - 325,157) Class A shares under the Company's dividend reinvestment program (see note 10).

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(millions of Canadian Dollars)</i>	Note	Three Months Ended September 30		Nine Months Ended September 30	
		2023	2022	2023	2022
Operating activities					
Earnings for the period		126	110	529	492
Adjustments to reconcile earnings to cash flows from operating activities	11	246	323	885	1,054
Changes in non-cash working capital		22	(53)	(138)	(14)
Cash flows from operating activities		394	380	1,276	1,532
Investing activities					
Additions to property, plant and equipment		(289)	(334)	(853)	(819)
Proceeds on disposal of property, plant and equipment		-	-	2	-
Additions to intangibles		(37)	(35)	(98)	(102)
Acquisition, net of cash acquired	13	-	-	(691)	-
Proceeds on sale of ownership interest in a subsidiary company, net of cash disposed	3	-	-	-	8
Investment in joint ventures		(1)	(4)	(5)	(8)
Investment in marketable securities	6	(2)	-	(194)	-
Changes in non-cash working capital		(27)	43	(53)	47
Other	7	(2)	1	1	59
Cash flows used in investing activities		(358)	(329)	(1,891)	(815)
Financing activities					
Net repayment of short-term debt		-	(216)	-	(187)
Issue of long-term debt	8	379	210	1,528	460
Repayment of long-term debt	8	(11)	-	(494)	(128)
Repayment of lease liabilities		(2)	(2)	(6)	(6)
Issue of Class A shares		1	-	1	1
Proceeds from sale of Class A shares from MTIP Trust	10	-	-	17	-
Dividends paid on equity preferred shares	9	(20)	(20)	(58)	(55)
Dividends paid to non-controlling interests		(3)	(1)	(9)	(5)
Dividends paid to Class A and Class B share owners	10	(114)	(115)	(346)	(347)
Interest paid		(96)	(91)	(296)	(285)
Other		(6)	(1)	(3)	(4)
Cash flows from (used in) financing activities		128	(236)	334	(556)
(Decrease) increase in cash position ⁽¹⁾		164	(185)	(281)	161
Beginning of period		253	1,096	698	750
End of period	11	417	911	417	911

(1) Cash position includes \$27 million which is not available for general use by the Company (2022 - \$14 million).

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

SEPTEMBER 30, 2023

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

1. THE COMPANY AND ITS OPERATIONS

Canadian Utilities Limited was incorporated under the laws of Canada and is listed on the Toronto Stock Exchange. Its head office is at 4th Floor, West Building, 5302 Forand Street SW, Calgary, Alberta T3E 8B4 and its registered office is 20th Floor, 10035 - 105 Street, Edmonton, Alberta T5J 2V6. The Company is controlled by ATCO Ltd. and its controlling share owner, the Southern family.

Effective July 1, 2023, the Company launched a branding initiative resulting in a change of its Utilities operating segment to ATCO Energy Systems and its Energy Infrastructure operating segment to ATCO EnPower. ATCO Energy Systems is the new global brand for gas and electrical utility services and ATCO EnPower is the new global brand for non-regulated energy businesses, including renewables, clean fuels, and energy storage (see Note 3). As this is a change in name of operating segments, there is no impact on the comparative amounts presented in the unaudited interim consolidated financial statements.

Canadian Utilities Limited is engaged in the following business activities:

- ATCO Energy Systems (previously Utilities) (electricity and natural gas transmission and distribution, and international electricity operations);
- ATCO EnPower (previously Energy Infrastructure) (energy storage, electricity generation, industrial water solutions, and clean fuels); and
- Retail Energy (electricity and natural gas retail sales, and whole-home solutions) (included in the Corporate & Other segment).

The unaudited interim consolidated financial statements include the accounts of Canadian Utilities Limited, its subsidiaries, and the accounts of a proportionate share of the Company's investments in joint ventures. In these financial statements, "the Company" means Canadian Utilities Limited, its subsidiaries and joint ventures.

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, 2022, 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 & Risk Committee, on behalf of the Board of Directors, on October 25, 2023.

BASIS OF MEASUREMENT

The unaudited interim consolidated financial statements are prepared on a historic cost basis, except for marketable securities, derivative financial instruments, 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, the timing of utility rate decisions, the timing and demand of natural gas storage capacity sold and changes in natural gas storage fees and the amount of sunlight, wind and water available to produce renewable energy.

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

3. SEGMENTED INFORMATION

SEGMENTED RESULTS

Results by operating segment for the three months ended September 30 are shown below:

2023	ATCO Energy Systems ⁽¹⁾				ATCO EnPower ⁽²⁾	Corporate & Other	Intersegment eliminations	Consolidated
	2022	Electricity	Natural Gas	Eliminations				
Revenues - external	310	349	-	659	72	81	-	812
	362	355	-	717	63	118	-	898
Revenues - intersegment	1	1	(2)	-	-	18	(18)	-
	4	2	(2)	4	4	2	(10)	-
Revenues	311	350	(2)	659	72	99	(18)	812
	366	357	(2)	721	67	120	(10)	898
Operating expenses ⁽³⁾	(134)	(217)	2	(349)	(42)	(18)	18	(391)
	(134)	(213)	2	(345)	(48)	(149)	10	(532)
Depreciation and amortization	(79)	(75)	-	(154)	(12)	(3)	-	(169)
	(76)	(71)	-	(147)	(4)	(4)	-	(155)
Earnings from investment in joint ventures	13	-	-	13	2	-	-	15
	18	-	-	18	3	-	-	21
Net finance costs	(57)	(37)	-	(94)	(8)	(1)	-	(103)
	(54)	(36)	-	(90)	(3)	3	-	(90)
Earnings (loss) before income taxes	54	21	-	75	12	77	-	164
	120	37	-	157	15	(30)	-	142
Income tax (expense) recovery	(11)	(6)	-	(17)	(3)	(18)	-	(38)
	(26)	(8)	-	(34)	(3)	5	-	(32)
Earnings (loss) for the period	43	15	-	58	9	59	-	126
	94	29	-	123	12	(25)	-	110
Adjusted earnings (loss)	95	13	-	108	9	(30)	-	87
	99	36	-	135	12	(27)	-	120
Capital expenditures ⁽⁵⁾	156	151	-	307	22	1	-	330
	136	157	-	293	78	3	-	374

Results by operating segment for the nine months ended September 30 are shown below:

2023	ATCO Energy Systems ⁽¹⁾				ATCO EnPower ⁽²⁾	Corporate & Other	Intersegment eliminations	Consolidated
	2022	Electricity	Natural Gas	Eliminations				
Revenues - external	1,045	1,277	-	2,322	224	276	-	2,822
	1,121	1,351	-	2,472	172	297	-	2,941
Revenues - intersegment	4	3	(7)	-	49	43	(92)	-
	9	5	(4)	10	46	(5)	(51)	-
Revenues	1,049	1,280	(7)	2,322	273	319	(92)	2,822
	1,130	1,356	(4)	2,482	218	292	(51)	2,941
Operating expenses ⁽³⁾	(404)	(736)	7	(1,133)	(182)	(151)	92	(1,374)
	(403)	(707)	4	(1,106)	(172)	(373)	51	(1,600)
Depreciation, amortization and impairment	(246)	(222)	-	(468)	(36)	(10)	-	(514)
	(233)	(213)	-	(446)	(12)	(10)	-	(468)
Earnings from investment in joint ventures	37	-	-	37	11	-	-	48
	42	-	-	42	12	-	-	54
Net finance costs	(167)	(108)	-	(275)	(21)	(5)	-	(301)
	(166)	(108)	-	(274)	(7)	2	-	(279)
Earnings (loss) before income taxes	269	214	-	483	45	153	-	681
	370	328	-	698	39	(89)	-	648
Income tax (expense) recovery	(53)	(51)	-	(104)	(10)	(38)	-	(152)
	(85)	(78)	-	(163)	(9)	16	-	(156)
Earnings (loss) for the period	216	163	-	379	35	115	-	529
	285	250	-	535	30	(73)	-	492
Adjusted earnings (loss)	264	189	-	453	33	(82)	-	404
	295	230	-	525	30	(80)	-	475
Total assets ⁽⁴⁾	10,842	8,825	(1)	19,666	2,458	991	(269)	22,846
	10,644	8,865	(2)	19,507	1,342	1,350	(225)	21,974
Capital expenditures ⁽⁵⁾	450	404	-	854	105	7	-	966
	367	386	-	753	170	8	-	931

(1) ATCO Energy Systems operating segment was previously reported as Utilities.

(2) ATCO EnPower operating segment was previously reported as Energy Infrastructure.

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

(4) 2022 comparatives are at December 31, 2022.

(5) Includes additions to property, plant and equipment, intangibles and \$4 million and \$15 million of interest capitalized during construction for the three and nine months ended September 30, 2023 (2022 - \$5 million and \$10 million).

ADJUSTED EARNINGS

Adjusted earnings are earnings attributable to equity owners of the Company 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;
- unrealized gains and losses on mark-to-market forward and swap commodity contracts;
- 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 September 30 is shown below:

2023	ATCO Energy Systems ⁽¹⁾			ATCO EnPower ⁽²⁾	Corporate & Other	Consolidated
	2022	Electricity	Natural Gas			
Adjusted earnings (loss)	95	13	108	9	(30)	87
	99	36	135	12	(27)	120
Unrealized gains (losses) on mark-to-market forward and swap commodity contracts	-	-	-	-	70	70
	-	-	-	-	(17)	(17)
Rate-regulated activities	(49)	3	(46)	-	(1)	(47)
	(3)	(6)	(9)	-	(1)	(10)
IT Common Matters decision	(4)	(1)	(5)	-	-	(5)
	(3)	(1)	(4)	-	-	(4)
Dividends on equity preferred shares of Canadian Utilities Limited	-	-	-	-	20	20
	-	-	-	-	20	20
Earnings (loss) attributable to equity owners of the Company	42	15	57	9	59	125
	93	29	122	12	(25)	109
Earnings attributable to non-controlling interests						1
						1
Earnings for the period						126
						110

The reconciliation of adjusted earnings and earnings for the nine months ended September 30 is shown below:

2023	ATCO Energy Systems ⁽¹⁾			ATCO EnPower ⁽²⁾	Corporate & Other	Consolidated
	2022	Electricity	Natural Gas			
Adjusted earnings (loss)	264	189	453	33	(82)	404
	295	230	525	30	(80)	475
Transition of managed IT services	(1)	(7)	(8)	-	(1)	(9)
	-	-	-	-	-	-
Unrealized gains (losses) on mark-to-market forward and swap commodity contracts	-	-	-	-	138	138
	-	-	-	-	(48)	(48)
Rate-regulated activities	(33)	(15)	(48)	-	2	(46)
	19	27	46	-	-	46
IT Common Matters decision	(9)	(6)	(15)	-	-	(15)
	(7)	(4)	(11)	-	-	(11)
Impairment	(8)	-	(8)	-	-	(8)
	-	-	-	-	-	-
AUC enforcement proceeding	-	-	-	-	-	-
	(27)	-	(27)	-	-	(27)
Workplace COVID-19 vaccination standard	-	-	-	-	-	-
	(3)	(5)	(8)	-	-	(8)
Gain on sale of ownership interest in a subsidiary company	-	-	-	-	-	-
	5	-	5	-	-	5
Dividends on equity preferred shares of Canadian Utilities Limited	-	-	-	-	58	58
	-	-	-	-	55	55
Earnings (loss) attributable to equity owners of the Company	213	161	374	33	115	522
	282	248	530	30	(73)	487
Earnings attributable to non-controlling interests						7
						5
Earnings for the period						529
						492

- (1) ATCO Energy Systems operating segment was previously reported as Utilities.
- (2) ATCO EnPower operating segment was previously reported as Energy Infrastructure.

Transition of managed IT services

In the three months ended March 31, 2023, the Company recognized additional legal and other costs of \$9 million (after-tax) related to the Wipro Ltd. master services agreements matter that was concluded on February 26, 2023. The impact was recorded in other expenses in the consolidated statements of earnings, provisions and other current liabilities in the unaudited interim consolidated balance sheets, and in changes in non-cash working capital (operating activities) in the unaudited interim consolidated statements of cash flows. As these costs are not in the normal course of business, they have been excluded from adjusted earnings.

Unrealized gains and losses on mark-to-market forward and swap commodity contracts

The Company's retail electricity and natural gas business in Alberta enters into fixed-price swap commodity contracts to manage exposure to electricity and natural gas prices and volumes. These contracts are measured at fair value. Unrealized gains and losses due to changes in the fair value of fixed-price swap commodity contracts are recognized in the Corporate & Other segment.

The CODM believes that removal of the unrealized gains and losses on mark-to-market forward and swap commodity contracts provides a better representation of operating results for the Company's operations.

Realized gains or losses are recognized in adjusted earnings when the commodity contracts are settled.

Rate-regulated activities

ATCO Electric Transmission, ATCO Electric Distribution, ATCO Electric Yukon, Northland Utilities (NWT), Northland Utilities (Yellowknife), ATCO Gas, ATCO Pipelines and ATCO Gas Australia are collectively referred to as the Regulated 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 Regulated Utilities do not recognize assets and liabilities from rate-regulated activities as may be directed by regulatory decisions. Instead, the Regulated 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, impact of warmer temperatures, and impact of inflation on rate base.	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.

The significant timing adjustments as a result of the differences between rate-regulated accounting and IFRS are as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
<i>Additional revenues billed in current period</i>				
Future removal and site restoration costs ⁽¹⁾	24	29	90	91
<i>Revenues to be billed in future periods</i>				
Deferred income taxes ⁽²⁾	(39)	(18)	(113)	(65)
Impact of warmer temperatures ⁽³⁾	(3)	(6)	(10)	(8)
Impact of inflation on rate base ⁽⁴⁾	(11)	(21)	(32)	(42)
<i>Settlement of regulatory decisions and other items</i>				
Distribution rate relief ⁽⁵⁾	4	19	13	84
Other ⁽⁶⁾	(22)	(13)	6	(14)
	(47)	(10)	(46)	46

(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) 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 temperatures in the current period are refunded to or recovered from customers in future periods.

(4) The inflation-indexed portion of ATCO Gas Australia's (part of Natural Gas Distribution) rate base is billed to customers through the recovery of depreciation in subsequent periods based on the actual or forecasted annual rate of inflation. Under rate-regulated accounting, revenue is recognized in the current period for the inflation component of rate base when it is earned. Differences between the amounts earned and the amounts billed to customers are deferred and recognized in revenues over the service life of the related asset.

(5) In 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. This was approved by the AUC in 2021. Based on direction from the AUC, collection of 2021 deferred rate amounts commenced in 2022 and for the three and nine months ended September 30, 2023, \$4 million (after-tax) and \$13 million (after-tax) (2022 - \$19 million (after-tax) and \$84 million (after-tax)) was billed to customers.

(6) In the three months ended September 30, 2023, ATCO Electric Transmission refunded customers approximately \$17 million (after-tax) to settle deferral accounts related primarily to property taxes and direct assigned capital.

IT Common Matters decision

Consistent with the treatment of the gain on sale in 2014 from the IT services business by the Company, financial impacts associated with the IT Common Matters decision are excluded from adjusted earnings. The amount excluded from adjusted earnings in the three and nine months ended September 30, 2023 was \$5 million (after-tax) and \$15 million (after-tax) (2022 - \$4 million (after-tax) and \$11 million (after-tax)).

Impairment of electric utility assets

In the nine months ended September 30, 2023, the Company recognized an impairment of \$8 million (after-tax) relating to certain electricity generation assets in ATCO Electric Transmission. These assets had been removed from service and it was determined that they no longer had any remaining value. The impairment was recognized in depreciation, amortization and impairment expense in the unaudited interim consolidated statements of earnings. As the impairment is not in the normal course of business, the charge was excluded from adjusted earnings.

Alberta Utilities Commission (AUC) enforcement proceeding

For the nine months ended September 30, 2022, the Company recognized costs of \$27 million (after-tax) related to the AUC enforcement proceeding. As this proceeding was 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 nine months ended September 30, 2022, the Company incurred \$8 million (after-tax) related to amounts paid and accrued. As these costs were not in the normal course of business and were 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 was 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 resulted in the Company and DII each having a 50 per cent ownership interest in NUE. The sale of ownership interest resulted in a gain on sale of \$5 million (after-tax). As the gain on sale was not in the normal course of business, it was excluded from adjusted earnings.

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 September 30 is shown below:

2023	ATCO Energy Systems ⁽¹⁾			ATCO EnPower ⁽²⁾	Corporate & Other ⁽⁴⁾	Consolidated
2022	Electricity ⁽³⁾	Natural Gas ⁽³⁾	Total			
Revenue Streams						
Rendering of Services						
Distribution services	143	207	350	-	-	350
	140	214	354	-	-	354
Transmission services	129	87	216	-	-	216
	176	82	258	-	-	258
Customer contributions	7	6	13	-	-	13
	8	6	14	-	-	14
Franchise fees	9	40	49	-	-	49
	9	46	55	-	-	55
Retail electricity and natural gas services	-	-	-	-	82	82
	-	-	-	-	113	113
Storage and industrial water	-	-	-	20	-	20
	-	-	-	19	-	19
Total rendering of services	288	340	628	20	82	730
	333	348	681	19	113	813
Sale of Goods						
Electricity generation and delivery	-	-	-	21	-	21
	-	-	-	18	-	18
Commodity sales	-	-	-	7	-	7
	-	-	-	16	-	16
Total sale of goods	-	-	-	28	-	28
	-	-	-	34	-	34
Lease income						
Finance lease	-	-	-	4	-	4
	-	-	-	4	-	4
Other	22	9	31	20	(1)	50
	29	7	36	6	5	47
Total	310	349	659	72	81	812
	362	355	717	63	118	898

(1) ATCO Energy Systems operating segment was previously reported as Utilities.

(2) ATCO EnPower operating segment was previously reported as Energy Infrastructure.

(3) For the three months ended September 30, 2023, Electricity and Natural Gas segments include \$105 million of unbilled revenue (2022 - \$117 million).

(4) For the three months ended September 30, 2023, Corporate & Other segment includes \$30 million of unbilled revenue (2022 - \$35 million) from retail electricity and natural gas energy services.

The disaggregation of revenues by each operating segment for the nine months ended September 30 is shown below:

2023	ATCO Energy Systems ⁽¹⁾			ATCO EnPower ⁽²⁾	Corporate & Other ⁽⁴⁾	Consolidated
	Electricity ⁽³⁾	Natural Gas ⁽³⁾	Total			
2022						
Revenue Streams						
Rendering of Services						
Distribution services	454	779	1,233	-	-	1,233
	462	842	1,304	-	-	1,304
Transmission services	472	260	732	-	-	732
	535	253	788	-	-	788
Customer contributions	25	18	43	-	-	43
	24	17	41	-	-	41
Franchise fees	28	192	220	-	-	220
	28	216	244	-	-	244
Retail electricity and natural gas services	-	-	-	-	268	268
	-	-	-	-	282	282
Storage and industrial water	-	-	-	57	-	57
	-	-	-	45	-	45
Total rendering of services	979	1,249	2,228	57	268	2,553
	1,049	1,328	2,377	45	282	2,704
Sale of Goods						
Electricity generation and delivery	-	-	-	68	-	68
	-	-	-	35	-	35
Commodity sales	-	-	-	45	-	45
	-	-	-	61	-	61
Total sale of goods	-	-	-	113	-	113
	-	-	-	96	-	96
Lease income						
Finance lease	-	-	-	11	-	11
	-	-	-	11	-	11
Other	66	28	94	43	8	145
	72	23	95	20	15	130
Total	1,045	1,277	2,322	224	276	2,822
	1,121	1,351	2,472	172	297	2,941

(1) ATCO Energy Systems operating segment was previously reported as Utilities.

(2) ATCO EnPower operating segment was previously reported as Energy Infrastructure.

(3) For the nine months ended September 30, 2023, Electricity and Natural Gas segments include \$105 million of unbilled revenue (2022 - \$117 million). At September 30, 2023, \$105 million of the unbilled revenue is included in accounts receivable and contract assets (2022 - \$117 million).

(4) For the nine months ended September 30, 2023, Corporate & Other segment includes \$30 million of unbilled revenue (2022 - \$35 million) from retail electricity and natural gas energy services. At September 30, 2023, \$30 million of the unbilled revenue is included in accounts receivable and contract assets (2022 - \$35 million).

5. EARNINGS PER SHARE

Earnings per Class A non-voting common (Class A) and Class B voting common (Class B) share are calculated by dividing the earnings attributable to Class A and Class B shares by the weighted average shares outstanding. Diluted earnings per share are calculated using the treasury stock method, which reflects the potential exercise of stock options and the shares held in the mid-term incentive plan (MTIP) Trust on the weighted average Class A and Class B Shares outstanding. In May 2023, all of the shares held in the MTIP Trust were sold (see Note 10).

The earnings and average number of shares used to calculate earnings per share are as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
Average shares				
Weighted average shares outstanding	270,280,485	269,187,120	269,904,217	269,064,726
Effect of dilutive stock options	1,788	130,606	117,185	114,217
Effect of dilutive shares held in MTIP Trust	-	432,820	216,696	437,602
Weighted average dilutive shares outstanding	270,282,273	269,750,546	270,238,098	269,616,545
Earnings for earnings per share calculation				
Earnings for the period	126	110	529	492
Dividends on equity preferred shares of the Company	(20)	(20)	(58)	(55)
Non-controlling interests	(1)	(1)	(7)	(5)
Earnings attributable to Class A and B shares	105	89	464	432
Earnings and diluted earnings per Class A and Class B share				
Earnings per Class A and Class B share	\$0.39	\$0.33	\$1.72	\$1.61
Diluted earnings per Class A and Class B share	\$0.39	\$0.32	\$1.72	\$1.60

6. MARKETABLE SECURITIES

In February 2023, the Company initially invested \$190 million in marketable securities primarily consisting of publicly traded investment grade fixed income corporate and government bonds, private fixed income funds, bank loans and commercial mortgage funds. The Company's marketable securities are actively managed by an external investment manager. Any distributions received including interest income from the securities are reinvested in accordance with the Company's reinvestment instructions provided to the investment manager.

The marketable securities are initially measured at cost and are subsequently measured at fair value through profit or loss (FVTPL). For the three and nine months ended September 30, 2023, realized gains of \$2 million and \$4 million, respectively, were recognized in interest income, and unrealized losses, resulting from changes in fair value, of nil and \$2 million, respectively, were recognized in other costs and expenses in the unaudited interim consolidated statements of earnings.

7. PROPERTY, PLANT AND EQUIPMENT

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

	Utility Transmission & Distribution	Energy Generation & Storage ⁽¹⁾	Land and Buildings	Construction Work-in- Progress	Other	Total
Cost						
December 31, 2022	22,292	613	760	752	825	25,242
Additions	34	37	–	839	3	913
Transfers	697	59	6	(775)	13	–
Retirements and disposals	(60)	–	(7)	(2)	(27)	(96)
Acquisition (Note 13)	–	641	–	46	–	687
Foreign exchange rate adjustment	(90)	12	(2)	(3)	(4)	(87)
Changes to asset retirement costs	–	8	–	–	–	8
September 30, 2023	22,873	1,370	757	857	810	26,667
Accumulated depreciation and impairment						
December 31, 2022	5,816	197	195	–	438	6,646
Depreciation and impairment	391	68	13	–	39	511
Retirements and disposals	(58)	–	(7)	–	(27)	(92)
Foreign exchange rate adjustment	(22)	3	–	–	(3)	(22)
September 30, 2023	6,127	268	201	–	447	7,043
Net book value						
December 31, 2022	16,476	416	565	752	387	18,596
September 30, 2023	16,746	1,102	556	857	363	19,624

(1) Energy Generation & Storage property, plant and equipment was previously reported as Energy Infrastructure property, plant and equipment.

The additions to property, plant and equipment included \$10 million of interest capitalized during construction for the nine months ended September 30, 2023 (2022 - \$6 million).

PIONEER NATURAL GAS PIPELINE

On February 25, 2022, ATCO Gas and Pipelines Ltd., a wholly owned subsidiary of CU Inc., closed a transaction to transfer a 30 kilometer 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.

8. LONG-TERM DEBT

ACQUISITION FINANCING

On January 3, 2023, the Company entered into an unsecured non-revolving credit facility with a syndicate of lenders consisting of two \$355 million tranches to finance the acquisition of a portfolio of wind and solar assets and projects (see Note 13). The first tranche was repaid on June 30, 2023 and the second tranche will mature on July 3, 2024. The unsecured non-revolving credit facility bears an interest rate of Canadian Dollar Overnight Rate (CDOR) plus an applicable margin.

PROJECT FINANCING

On May 25, 2023, ATCO Adelaide Wind Holdings Limited Partnership, an indirect wholly owned subsidiary of the Company, entered into a limited recourse term loan of \$90 million with a bank lender. The loan is secured by the assets of the borrower. The loan amortizes quarterly until final maturity on December 31, 2034 and bears interest at CDOR plus an applicable margin. To mitigate the variable interest rate risk, the partnership entered into an interest rate swap agreement to fix the interest rate at 4.88 per cent, including the applicable margin (see Note 12).

OTHER

On September 20, 2023, CU Inc., a wholly owned subsidiary of the Company, issued \$340 million of 5.088 per cent debentures maturing September 20, 2053 (2022 - On September 14, 2022, CU Inc. issued \$210 million of 4.773 per cent debentures maturing on September 14, 2052).

On May 1, 2023, CU Inc. repaid \$100 million of 9.4 per cent debentures (2022 - On April 1, 2022, CU Inc. repaid \$125 million of 9.92 per cent debentures).

On June 30, 2023, the Company issued \$268 million additional long-term debt from an existing unsecured extendible revolving credit facility with a syndicate of lenders. The facility matures on November 30, 2024 and bears an interest rate of CDOR plus an applicable margin.

9. EQUITY PREFERRED SHARES

DIVIDENDS

Cash dividends declared and paid per share are as follows:

<i>(dollars per share)</i>	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
Cumulative Redeemable Second Preferred Shares				
5.196% Series Y ⁽¹⁾	0.3248	0.3250	0.9743	0.7504
4.90% Series AA	0.3063	0.3063	0.9188	0.9188
4.90% Series BB	0.3063	0.3063	0.9188	0.9188
4.50% Series CC	0.2813	0.2813	0.8438	0.8438
4.50% Series DD	0.2813	0.2813	0.8438	0.8438
5.25% Series EE	0.3281	0.3281	0.9844	0.9844
4.50% Series FF	0.2813	0.2813	0.8438	0.8438
4.75% Series HH	0.2969	0.2969	0.8906	0.8605

(1) Effective June 1, 2022, the annual dividend rate for the Series Y Preferred Shares was reset to 5.196 per cent for the next five years. Prior to June 1, 2022, the annual dividend rate was 3.403 per cent.

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 September 12, 2023, the Company declared fourth quarter eligible dividends of \$0.32475 per Series Y Preferred Share, \$0.30625 per Series AA and Series BB Preferred Share, \$0.28125 per Series CC, Series DD, and Series FF Preferred Share, \$0.328125 per Series EE Preferred Share and \$0.296875 per Series HH Preferred Share, payable on December 1, 2023 to share owners of record as of November 2, 2023.

10. CLASS A AND CLASS B SHARES

At September 30, 2023, there were 202,068,965 (December 31, 2022 - 201,356,327) Class A shares and 68,365,918 (December 31, 2022 - 68,548,665) Class B shares outstanding. In addition, there were 2,540,850 options to purchase Class A shares outstanding at September 30, 2023, under the Company's stock option plan (December 31, 2022 - 1,998,600).

DIVIDENDS

The Company declared and paid cash dividends of \$0.4486 and \$1.3458 per Class A and Class B share during the three and nine months ended September 30, 2023 (2022 - \$0.4442 and \$1.3326). The Company's policy is to pay dividends quarterly on its Class A and Class B shares. 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 September 12, 2023, the Company declared a fourth quarter dividend of \$0.4486 per Class A and Class B share, payable on December 1, 2023 to share owners of record as of November 2, 2023.

DIVIDEND REINVESTMENT PROGRAM

During the three and nine months ended September 30, 2023, 225,470 and 512,891 Class A shares were issued under the Company's dividend reinvestment plan (2022 - 114,285 and 325,157), using re-invested dividends of \$7 million and \$17 million (2022 - \$4 million and \$12 million). The shares were priced at an average of \$31.56 per share and \$33.78 per share (2022 - \$40.03 per share and \$38.07 per share).

NORMAL COURSE ISSUER BID

On September 1, 2023, the Company announced it would begin a normal course issuer bid on September 7, 2023, to purchase up to 2,018,434 outstanding Class A Shares. The bid will expire on September 6, 2024.

No shares were purchased during the three and nine months ended September 30, 2023.

MID-TERM INCENTIVE PLAN

In May 2023, the Company sold all of the 440,554 Class A shares that were held in trust for the MTIP for proceeds of \$17 million. In the unaudited interim consolidated balance sheets, the cost of the Class A shares sold of \$14 million was recorded as an increase to Class A and Class B shares and the after tax gain of \$2 million was recorded as an increase to contributed surplus. In the unaudited interim consolidated statements of cash flows, the proceeds from the sale of \$17 million were recorded in financing activities.

11. CASH FLOW INFORMATION

ADJUSTMENTS TO RECONCILE EARNINGS TO CASH FLOWS FROM OPERATING ACTIVITIES

Adjustments to reconcile earnings to cash flows from operating activities are summarized below.

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
Depreciation, amortization and impairment	169	155	514	468
Dividends and distributions received from investment in joint ventures	17	4	54	41
Earnings from investment in joint ventures	(15)	(21)	(48)	(54)
Income tax expense	38	32	152	156
Unrealized (gains) losses on derivative financial instruments	(91)	21	(180)	61
Contributions by customers for extensions to plant	37	44	117	152
Amortization of customer contributions	(13)	(14)	(43)	(41)
Net finance costs	103	90	301	279
Income taxes paid	(10)	-	(30)	(22)
Interest received	12	11	39	18
Other	(1)	1	9	(4)
	246	323	885	1,054

CASH POSITION

Cash position at September 30 is comprised of:

	2023	2022
Cash	387	895
Short-term investments	4	2
Restricted cash ⁽¹⁾	11	14
Restricted short-term investments ⁽¹⁾	16	-
Cash and cash equivalents	418	911
Bank indebtedness	(1)	-
Cash position	417	911

(1) Cash balances which are restricted under the terms of joint arrangement agreements are considered not available for general use by the Company.

12. 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
Measured at Amortized Cost	
Cash and cash equivalents, accounts receivable and contract assets, bank indebtedness, and accounts payable and accrued liabilities	Assumed to approximate carrying value due to their short-term nature.
Finance lease receivables	Determined using a risk-adjusted interest rate to discount future cash receipts (Level 2).
Long-term debt and long-term advances due from joint venture	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).
Measured at Fair Value	
Marketable securities	Determined using quoted market prices for the same or similar securities or alternative pricing sources and models with inputs validated by publicly available market providers (Level 2).
Interest rate swaps	Determined using interest rate forward rate yield curves at period-end (Level 2).
Foreign currency contracts	Determined using quoted forward exchange rates at period-end (Level 2).
Commodity contracts	Determined using observable period-end forward curves and quoted spot market prices with inputs validated by publicly available market providers (Level 2). Determined using statistical techniques to derive period-end forward curves using unobservable inputs or extrapolation from spot or forward prices in certain commodity contracts (Level 3).

FINANCIAL INSTRUMENTS MEASURED AT AMORTIZED COST

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

Recurring Measurements	September 30, 2023		December 31, 2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Finance lease receivables	137	156	149	185
Long-term advances due from joint venture ⁽¹⁾	33	31	33	30
Financial Liabilities				
Long-term debt	10,536	9,218	9,540	8,565

(1) Long-term advances due from joint venture are recorded in prepaid expenses and other current assets, \$3 million (2022 - nil), and other assets, \$30 million (2022 - nil), on the consolidated balance sheets.

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

Marketable Securities

At September 30, 2023, the Company's marketable securities measured at fair value include publicly traded investment grade fixed income corporate and government bonds, private fixed income funds, bank loans and commercial mortgage funds (see Note 6).

Derivatives Financial Instruments

The Company's derivative instruments are measured at fair value. At September 30, 2023 and December 31, 2022, the following derivative instruments were outstanding:

- interest rate swaps for the purpose of limiting interest rate risk on the variable future cash flows of long-term debt;
- foreign currency forward contracts for the purpose of limiting exposure to exchange rate fluctuations; and
- natural gas and forward power sale and purchase contracts for the purpose of limiting exposure to electricity and natural gas market price movements.

The balance sheet classification and fair values of the Company's derivative financial instruments are as follows:

	Level 2		Level 3		Total Fair Value of Derivatives
	Subject to Hedge Accounting		Subject to Hedge Accounting ⁽¹⁾	Not Subject to Hedge Accounting ⁽²⁾	
Recurring Measurements	Interest Rate Swaps	Commodities ⁽²⁾	Commodities		
September 30, 2023					
Financial Assets					
Prepaid expenses and other current assets	6	64	–	30	100
Other assets	47	36	–	74	157
Financial Liabilities					
Provisions and other current liabilities	–	28	–	25	53
Other liabilities	–	29	7	–	36
December 31, 2022					
Financial Assets					
Prepaid expenses and other current assets	5	184	–	4	193
Other assets	45	91	–	14	150
Financial Liabilities					
Provisions and other current liabilities	1	36	–	98	135
Other liabilities	2	15	18	21	56

(1) Derivative financial instruments related to renewable power purchase agreements in the Company's electricity generation business are calculated using an internal forecasting model. Inputs to the model (Level 3) to calculate fair value include electricity generation forecast volumes and extrapolated forward power prices. On September 15, 2023, the Company executed a renewable power purchase agreement with Lafarge Canada Inc. Under the agreement, the Company will receive a fixed price per megawatt per hour (MWh) and pay the settled price per MWh from the Alberta Electric System Operator as well as deliver the related renewable energy credits. The energy component within the agreement was designated as a cash flow hedge.

(2) Derivative financial instruments related to customer contracts in the Company's retail electricity and natural gas business are calculated using an internal forecasting model. Inputs to the model (Level 3) to calculate fair value of derivatives include electricity and natural gas forecast consumption volumes.

A reconciliation of the changes in the Company's derivative financial instruments classified as Level 3 is as follows:

	Subject to Hedge Accounting	Not Subject to Hedge Accounting	Total
December 31, 2022 ⁽¹⁾	(18)	(101)	(119)
Settlement of derivative contracts	1	47	48
Gains recognized in earnings	-	133	133
Gains recognized in other comprehensive income	24	-	24
September 30, 2023 ⁽¹⁾	7	79	86

(1) Net financial (liabilities) assets classified as Level 3 at end of the period.

For the three months ended September 30, the following realized and unrealized gains and losses on derivative financial instruments were recognized in the unaudited interim consolidated statements of earnings:

	2023			2022		
	Level 2	Level 3	Total	Level 2	Level 3	Total
Realized gains (losses)						
Revenues	(4)	(1)	(5)	(8)	-	(8)
Fuel costs	(2)	-	(2)	1	-	1
Purchased power	27	-	27	41	-	41
Other costs and expenses	5	(17)	(12)	5	(33)	(28)
	26	(18)	8	39	(33)	6
Unrealized gains (losses)						
Other costs and expenses	(1)	90	89	-	(21)	(21)
Total	25	72	97	39	(54)	(15)

For the nine months ended September 30, the following realized and unrealized gains and losses on derivative financial instruments were recognized in the unaudited interim consolidated statements of earnings:

	2023			2022		
	Level 2	Level 3	Total	Level 2	Level 3	Total
Realized gains (losses)						
Revenues	(13)	(1)	(14)	(15)	-	(15)
Fuel costs	(9)	-	(9)	10	-	10
Purchased power	79	-	79	63	-	63
Other costs and expenses	14	(46)	(32)	15	(54)	(39)
	71	(47)	24	73	(54)	19
Unrealized gains (losses)						
Other costs and expenses	(2)	180	178	(4)	(57)	(61)
Total	69	133	202	69	(111)	(42)

Notional and maturity summary

The notional value and maturity dates of the Company's derivative instruments outstanding are as follows:

Notional value and maturity	Subject to Hedge Accounting			Not Subject to Hedge Accounting		
	Interest Rate Swaps	Natural Gas ⁽¹⁾	Power ⁽²⁾	Natural Gas ⁽¹⁾	Power ⁽²⁾	Foreign Currency Forward Contracts
September 30, 2023						
Purchases ⁽³⁾	-	47,921,725	4,444,716	-	-	-
Sales ⁽³⁾	-	633,207	9,741,704	28,590,697	3,023,085	-
Currency						
Canadian dollars	352	-	-	-	-	-
Australian dollars	722	-	-	-	-	-
Mexican pesos	-	-	-	-	-	23
U.S. dollars	-	-	-	-	-	2
Maturity	2023-2045	2023-2027	2023-2038	2023-2028	2023-2028	2024
December 31, 2022						
Purchases ⁽³⁾	-	35,272,100	4,234,062	-	-	-
Sales ⁽³⁾	-	1,227,947	10,451,215	24,050,972	2,181,310	-
Currency						
Australian dollars	355	-	-	-	-	-
Mexican pesos	725	-	-	-	-	23
Maturity	2023-2045	2023-2026	2023-2038	2023-2027	2023-2027	2023

(1) Notional amounts for the natural gas purchase contracts are the maximum volumes that can be purchased over the terms of the contracts.

(2) Notional amounts for the forward power sale and purchase contracts are the commodity volumes committed in the contracts.

(3) Volumes for natural gas and power derivatives are in GJ and MWh, respectively.

13. BUSINESS COMBINATIONS AND OTHER TRANSACTIONS

ACQUISITION OF RENEWABLE ENERGY BUSINESS

On January 3, 2023, ATCO Power (2010) Ltd., a wholly owned subsidiary of the Company, acquired from Suncor Energy Inc. (Suncor) a portfolio of wind and solar assets and projects in Alberta and Ontario, Canada. The aggregate consideration paid on January 3, 2023 was \$713 million, which included cash acquired of \$38 million. The finalized working capital adjustment, which resulted in an additional payment of \$16 million to Suncor, was recorded during the second quarter ended June 30, 2023. Identifiable assets acquired and liabilities assumed are \$691 million.

The transaction was financed primarily by an unsecured non-revolving credit facility issued by a syndicate of lenders (see Note 8). The acquisition was accounted for as a business acquisition and its results are included in the ATCO EnPower operating segment (previously reported as Energy Infrastructure operating segment).

The fair value calculation of the major classes of assets acquired and liabilities assumed is shown below.

Assets	
Accounts receivable and contract assets	10
Property, plant and equipment	641
Construction work-in-progress	46
Intangible assets	61
Other assets	9
Right-of-use assets	3
Goodwill	145
Total assets	915
Liabilities and non-controlling interest	
Accounts payable and accrued liabilities	(37)
Deferred income tax liabilities	(150)
Lease liabilities	(3)
Other liabilities	(7)
Non-controlling interest	(27)
Total liabilities and non-controlling interest	(224)
Total identifiable net assets acquired	691

Revenues and other income of \$9 million and \$57 million, and earnings attributable to equity owners of the Company of \$2 million and \$20 million were included in the unaudited interim consolidated statements of earnings for the three and nine months ended September 30, 2023. Transaction costs of \$2 million for incremental legal and advisory services fees incurred were recognized as expenses during the fourth quarter ended December 31, 2022.

PARTNERSHIP WITH CHINIKI AND GOODSTONEY FIRST NATIONS

In September 2023, the Company announced the formation of a partnership for the Deerfoot and Barlow Solar power projects with the Chiniki and Goodstoney First Nations (the First Nations) through its wholly owned subsidiary, ATCO Power (2010) Ltd. Under the terms of the partnership agreement, the First Nations will own a 51 per cent ownership interest in the partnership, and the Company will retain a 49 per cent ownership interest.

For accounting purposes, the Company has applied judgement in determining that it continues to retain significant financial risks in the projects, and therefore has accounted for the partnership as a controlled subsidiary using the consolidation method of accounting. The partnership is included in the ATCO EnPower operating segment (previously reported as Energy Infrastructure operating segment).