DISCLAIMER

Due to uncertainty surrounding the application of recent amendments to the Competition Act (Canada), these documents are provided for historical information purposes only and do not constitute active or current representations of Canadian Utilities Limited or any of its related parties. The purpose of these documents is to comply with disclosure requirements that were in effect on the date these documents were filed; Canadian Utilities undertakes no obligation to update such information except as required by applicable law. Canadian Utilities remains committed to taking steps to address climate change and continuing to engage in sustainability initiatives.

CANADIAN UTILITIES LIMITED
An ATCO Company

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CANADIAN UTILITIES LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2022

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 year ended December 31, 2022.

This MD&A was prepared as of March 1, 2023, and should be read with the Company's audited consolidated financial statements (2022 Consolidated Financial Statements) for the year ended December 31, 2022. Additional information, including the Annual Information Form (2022 AIF) is available on SEDAR at www.sedar.com.

The Company is controlled by ATCO Ltd. and its controlling share owner, Sentgraf 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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CANADIAN UTILITIES VISION AND VALUES

EXCELLENCE: THE ATCO HEART & MIND

"Going far beyond the call of duty. Doing more than others expect. This is what excellence is all about. It comes from striving, maintaining the highest standards, looking after the smallest detail and going the extra mile. Excellence means caring. It means making a special effort to do more."

R.D. Southern, Founder, ATCO

OUR VISION

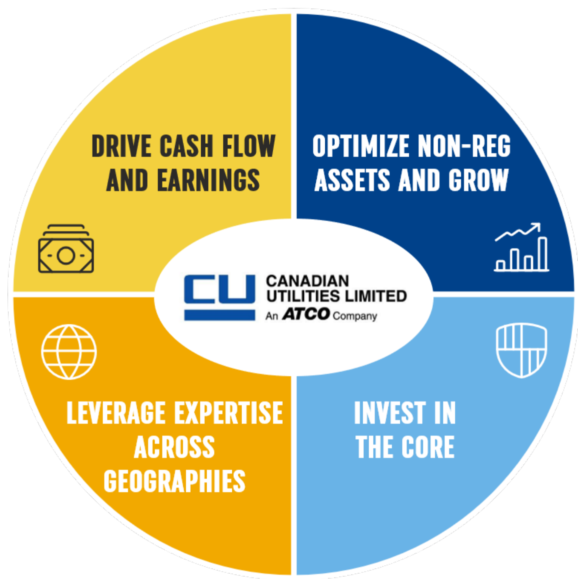
To create prosperity and opportunity for generations to come.

CANADIAN UTILITIES STRATEGIES

Innovation, growth and financial strength provide the foundation from which we have built our Company. Our long-term success depends on our ability to expand into new markets by continuing to offer our customers premier, comprehensive and integrated solutions to meet their needs.

These strategic imperatives are supported by our unwavering commitment to operational excellence, our customers, our people and the communities we are privileged to serve around the world.

We protect our core utility assets and invest in activities aimed at advancing the energy transition and ensuring long-term resiliency. By optimizing Energy Infrastructure assets and adding new growth platforms, while consistently delivering reliable, safe, cleaner, and affordable energy for our customers, Canadian Utilities will continue to drive cash flow and earnings to improve financial strength and growth capacity.



CORE VALUES

Our pursuit of excellence governs the way we act and make decisions. We strive to live by the following values:

Safety

Safety is the first consideration in everything we do. We hold a shared belief that safety must direct all our day-to-day priorities and decisions, and we are accountable for understanding and following the health and safety requirements for any work we undertake.

Integrity

We are honest, ethical and treat others with fairness, dignity and respect. We make good decisions, take personal ownership of tasks, are responsible for our actions and deliver on our commitments.

Agility

We are creative, innovative and take a measured approach to opportunities and risk, balanced with a long term perspective. We stay relevant, reward action and learn from failure.

Caring

We care about our customers, our employees and their families, our communities and the environment. We seek to understand and care enough to challenge each other.

Collaboration

We work together, share ideas, recognize the contribution of others and learn from our failures and successes. We are clear about our intentions and communicate openly especially when problems or issues arise. We value and encourage diversity and different perspectives. We work together to build strong networks.

SUSTAINABILITY

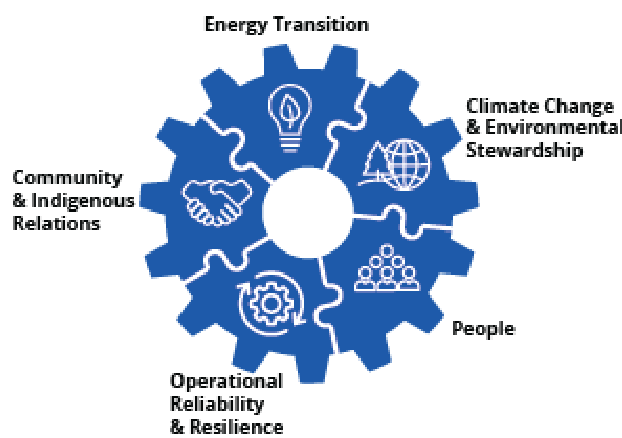
Canadian Utilities' sustainability strategy has always been driven by a holistic, long-term perspective, one that prioritizes our sustainability objectives and environmental, social and governance (ESG) performance while reliably delivering essential products and services to our customers, each and every day.

Energy Transition

We are actively transitioning our portfolio of investments to meet the needs of a new energy future while maintaining energy safety, reliability and affordability. We are investing in innovative technology and developing a suite of solutions from which our customers can choose. Our strategic focus is on cleaner fuels, renewable energy, energy infrastructure and storage, and energy efficiency.

Climate Change & Environmental Stewardship

Our Climate Change Strategy not only minimizes our environmental footprint, it accelerates the clean energy transition. Critical to this approach is our focus on decarbonization and exploring new and more efficient ways to generate, transport and conserve energy.



People

Health and safety are the first considerations in everything we do. And, while we protect the people in our workforce and communities, we know we must also reflect the people in our communities by promoting diversity, equity and inclusion.

Operational Reliability & Resilience

We prepare for the future so that even in times of crisis our system continues to provide the essential services our customers need. We are committed to providing reliable energy, working around the clock to minimize service outages, and ensuring our assets are resilient for decades to come.

Community & Indigenous Relations

Building respectful and mutually beneficial relationships with communities, with Indigenous Peoples and with businesses has long defined how we do business. Together with our Indigenous and community partners, we are continually exploring new ways to collaborate.

STRATEGIC ENVIRONMENTAL, SOCIAL AND GOVERNANCE TARGETS FOR 2030

In January 2022, ATCO, Canadian Utilities' parent company, announced an initial set of 2030 environmental, social and governance targets, and a commitment to achieve net-zero greenhouse gas (GHG) emissions by 2050. ATCO (with the support of Canadian Utilities) is driving towards achieving the 2030 targets that include reducing operational GHG intensity and customer emissions, growing its renewable energy footprint and transitional products, increasing economic benefits for Indigenous partners, continuing its focus on safety, and further promoting diversity, equity and inclusion in the workplace. The 2050 net-zero commitment builds upon ATCO's significant progress in recent years in decarbonizing its portfolio.

ATCO continues to evaluate further ESG targets and conduct additional analyses with respect to the Company's 2050 net-zero commitment. Additional information and progress towards ATCO's ESG targets is included in this MD&A and will be included in ATCO's annual Sustainability Report, which will be available in May 2023.

FURTHER COMMENTARY REGARDING STRATEGIES AND COMMITMENTS

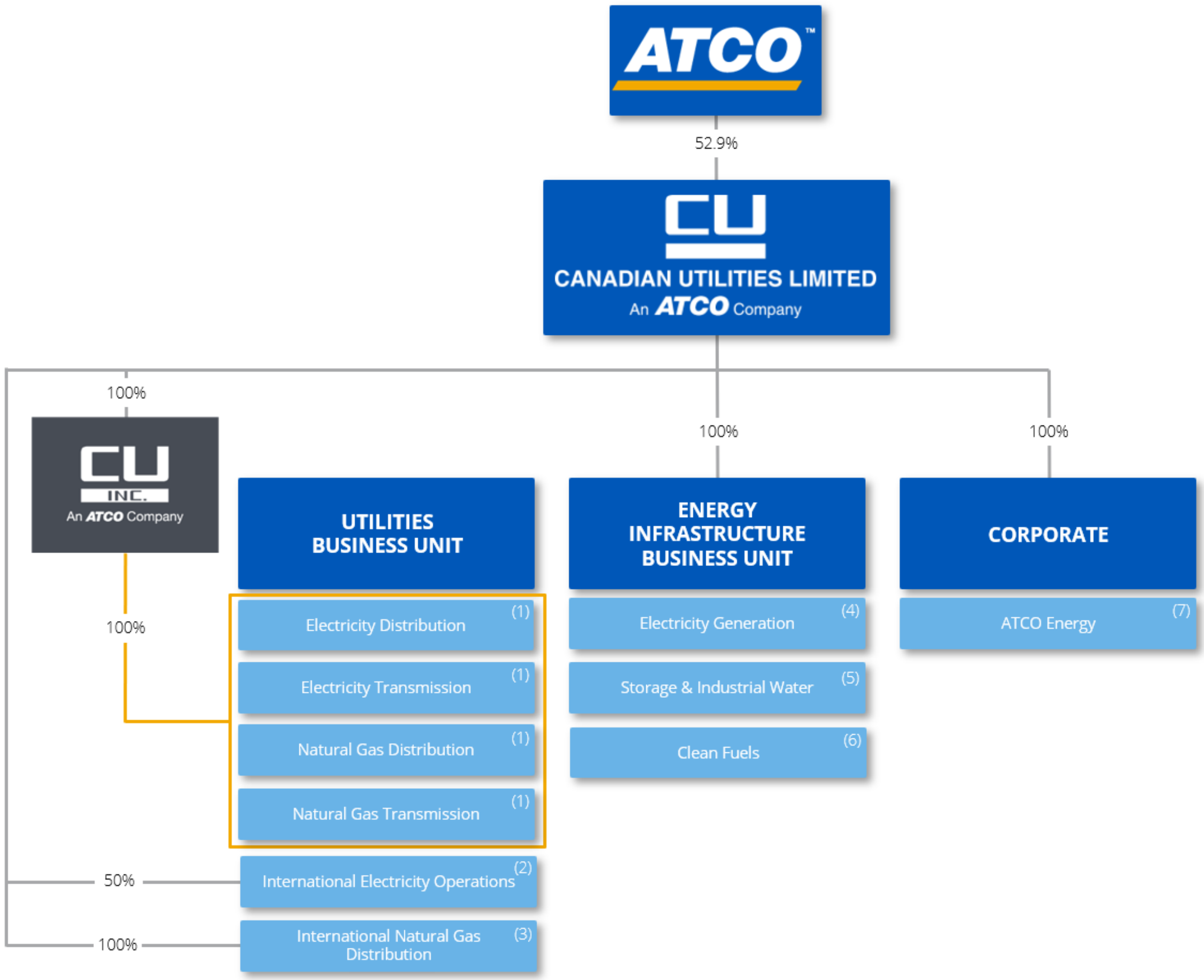
Our financial and operational achievements in 2022 relative to the strategies outlined are included in this MD&A, the 2022 Consolidated Financial Statements and 2022 AIF. Further commentary will be provided in the forthcoming 2022 Management Proxy Circular, Business Profile, and Sustainability Report. The 2022 Management Proxy Circular will also contain a discussion of the Company's corporate governance practices.

Canadian Utilities' website, www.canadianutilities.com, is a valuable source for the latest news of the Company's activities. Prior years' reports are also available on this website.

COMPANY OVERVIEW AND OPERATING ENVIRONMENT

We are more than the sum of our many parts. On a global scale, we energize homes, businesses, industries, and deliver customer-focused energy infrastructure solutions. With approximately $22 billion in assets, Canadian Utilities is a company with a diverse, global portfolio of investments in premier energy infrastructure that delivers operational excellence and superior returns. Fueled by the unwavering dedication of approximately 5,000 employees and over 3,300 employees in joint ventures, we offer comprehensive solutions and operational excellence in Utilities (electricity and natural gas transmission and distribution, and international operations); Energy Infrastructure (energy storage, energy generation, industrial water solutions and clean fuels); and Retail Energy (electricity and natural gas retail sales, and whole-home solutions).

ORGANIZATIONAL STRUCTURE



(1) CU Inc. includes Electricity Distribution, Electricity Transmission, Natural Gas Distribution and Natural Gas Transmission.

(2) International Electricity Operations consists of a 50 per cent ownership in LUMA Energy, LLC (LUMA Energy), a company which is transforming, modernizing and operating Puerto Rico's 30,000-km electricity transmission and distribution system.

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

(4) Canadian Utilities owns and operates 348-MW of non-regulated electricity generation assets in Australia, Mexico, Canada and Chile and 103-MW of assets under development in Canada as of December 31, 2022. Subsequent to year-end, 242-MW of operational non-regulated electricity generation was added when the acquisition of Suncor Energy Inc.'s renewable energy portfolio closed on January 3, 2023.

(5) Storage & Industrial Water builds, owns and operates non-regulated natural gas storage, natural gas liquids storage, natural gas related infrastructure, and industrial water.

(6) Clean Fuels includes large-scale hydrogen production opportunities, renewable natural gas, and technical expertise support.

(7) ATCO Energy Ltd. (ATCO Energy) includes Rümi, Blue Flame Kitchen, and Retail Energy and offers home products, home maintenance services, professional homeowners advice, and retail electricity and natural gas services in Alberta.

The 2022 Consolidated Financial Statements include the accounts of Canadian Utilities, its subsidiaries, and equity investment in joint ventures.

The 2022 Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the reporting currency is the Canadian dollar.

UTILITIES

BUSINESS DESCRIPTION

The Utilities business unit operates in Canada, Australia and Puerto Rico. The four regulated utilities (Electricity Transmission and Distribution, and Natural Gas Transmission and Distribution) in Alberta, Saskatchewan and the northern regions of Canada have delivered reliable electricity and clean-burning natural gas to customers for many decades. International Operations consists of the regulated natural gas distribution business in Western Australia, and the electricity operations business in Puerto Rico; Canadian Utilities' 50 per cent ownership in LUMA Energy.

BUSINESS STRATEGY

Our strategy is to invest in regulated electricity and natural gas transmission and distribution assets, capitalize on opportunities to provide long-term contracted electricity and natural gas transmission and distribution services, and to enable renewable energy generation, delivery, and storage. Our strategic priorities are focused on investments that provide lower emissions and clean energy solutions for our customers, and continuing to invest in our core business while maintaining energy reliability, safety, and affordability.

MARKET OPPORTUNITIES

The utilities industry is changing with an increased focus on decarbonization, digitalization, decentralization, and evolving customer demand. The worldwide push towards reaching net-zero, evolving regulations to encourage the advancement of new technologies, emission reduction targets, and government incentives present opportunities for utility companies. Our natural gas and electric utilities are well positioned to capitalize on this movement.

MARKET CHALLENGES

Traditional utility industry challenges include the regulator's approval of customer rates that permit a reasonable opportunity to recover service costs on a timely basis, including a fair return on invested capital. Provincial and federal governments have expressed concerns about existing levels of customer rates and affordability, which may impact the pace of growth. The ongoing energy transition is driving policy uncertainty and risks delaying investment decisions that would align with our decarbonization targets. Technology risks associated with decarbonization, digitalization, and decentralization could lead to disruption of the Company's existing business models and create competitive market dynamics.

ATCO Employee, Alberta, Canada

ENERGY INFRASTRUCTURE

BUSINESS DESCRIPTION

The Energy Infrastructure non-regulated businesses include: hydro, solar, wind, and natural gas electricity generation in Western Canada, Australia, Mexico, and Chile, as well as non-regulated electricity transmission, natural gas storage and transmission, Natural Gas Liquids (NGL) storage, and industrial water solutions in Alberta. Energy Infrastructure is also developing its clean fuels business including hydrogen, renewable natural gas, carbon capture and underground storage projects.

BUSINESS STRATEGY

Energy transition is a key component of our growth strategy, focused on the three pillars of clean fuels, renewable generation, and energy storage. Energy Infrastructure is striving to be a leader in clean energy development while focusing on delivering reliable, affordable and clean energy infrastructure that supports our customers' decarbonization objectives and leverages our core competencies and assets in the Americas and Australia. Energy Infrastructure continues to actively explore potential opportunities that will complement our growing renewable portfolio. Additionally, we continue to optimize and drive growth in our energy storage business. Storage is critical to energy stability and to support the reliability of the grid as the world transitions to clean, but more intermittent, sources of energy.

MARKET OPPORTUNITIES

In developed markets, the political and societal push to address climate change with decarbonization goals and the energy transition are driving the demand for clean energy, mainly supplied through renewables and clean fuels. Energy markets will be focused on providing firm, reliable and affordable energy supply as the share of renewables grows; this will drive further investment into storage and grid balancing solutions to improve system reliability.

MARKET CHALLENGES

There is significant competition as financial, strategic and traditional fossil fuel-based energy producers become increasingly interested in renewables and clean fuels as part of the global energy transition. Government policy and regulatory constraints present challenges to renewables and clean fuel projects aligned with energy transition strategies. Macroeconomic conditions such as global economic activity, interest rates, inflation, and political uncertainty pose challenges for investment.

Forty Mile Wind, Alberta, Canada

PERFORMANCE OVERVIEW

FINANCIAL METRICS

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

($ millions, except per share data and outstanding shares)		Year Ended December 31	
	2022	**2021**	**2020**
Key Financial Metrics			
Revenues	**4,048**	3,515	3,233
Adjusted earnings (loss) (1)	**655**	586	535
Utilities (1)	**714**	635	584
Energy Infrastructure	**35**	28	28
Corporate & Other	**(94)**	(77)	(77)
Adjusted earnings ($ per share)	**2.43**	2.17	1.96
Earnings attributable to equity owners of the Company	**632**	393	427
Earnings attributable to Class A and Class B shares	**557**	328	360
Earnings attributable to Class A and Class B shares ($ per share)	**2.07**	1.21	1.32
Diluted earnings attributable to Class A and Class B shares ($ per share)	**2.06**	1.21	1.32
Total assets	**21,974**	21,075	20,296
Long-term debt	**9,540**	9,308	9,053
Equity attributable to equity owners of the Company	**6,879**	6,635	6,621
Cash dividends declared per Class A and Class B share ($ per share)	**1.78**	1.76	1.74
Cash flows from operating activities	**2,140**	1,718	1,631
Capital investment (2)	**1,394**	1,338	912
Capital expenditures	**1,383**	1,227	903
Other Financial Metrics			
Weighted average Class A and Class B shares outstanding *(thousands):*			
Basic	**269,133**	269,855	272,758
Diluted	**269,668**	270,317	273,273

(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 2022 were $4,048 million, $533 million higher than the same period in 2021. Higher revenues, largely in Electricity Distribution and Natural Gas Distribution, are a result of rate relief provided to customers in 2021 in light of the COVID-19 global pandemic and subsequently the AUC decision to maximize the collection of 2021 deferred revenues in 2022. Higher revenues were also due to higher electricity and natural gas commodity prices at ATCO Energy, higher flow-through revenues in Natural Gas Distribution, growth in rate base in the Alberta Utilities, and additional revenue from the Alberta Hub natural gas storage facility acquired in December 2021 in the Energy Infrastructure segment.

ADJUSTED EARNINGS [1]

Our adjusted earnings in 2022 were $655 million or $2.43 per share, compared to $586 million or $2.17 per share for the same period in 2021.

Higher adjusted earnings in 2022 were mainly due to inflation indexing on rate base in Australia which positively impacted earnings in the International Natural Gas Distribution business, cost efficiencies throughout our Alberta Utilities, and earnings from the Alberta Hub natural gas storage facility acquired in December 2021 in the Energy Infrastructure's business.

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 $632 million in 2022, $239 million higher compared to 2021. 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 8 of the 2022 Consolidated Financial Statements.

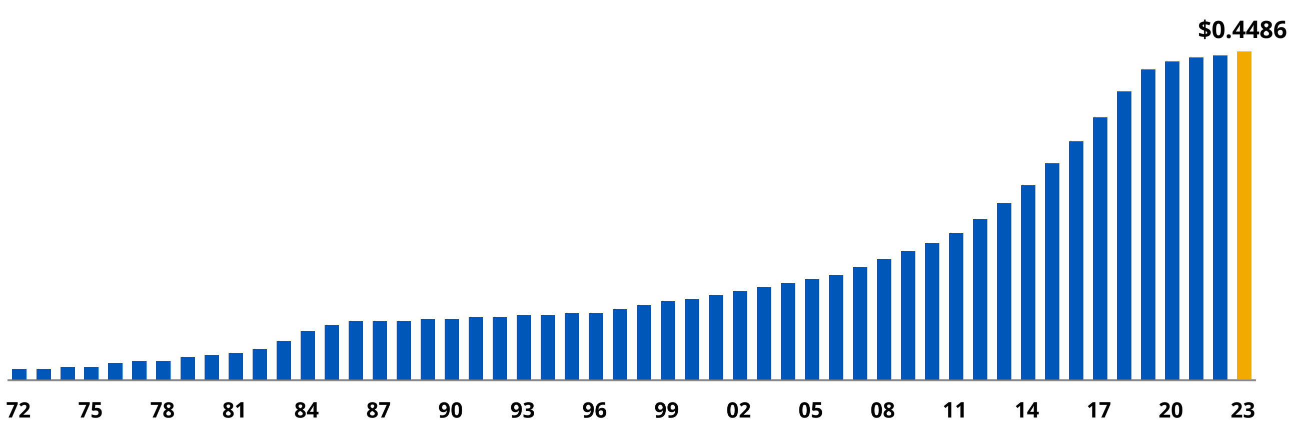
CASH FLOWS FROM OPERATING ACTIVITIES

Cash flows from operating activities were $2,140 million in 2022, $422 million higher than the same period in 2021. The increase was mainly due to higher cash flows from the recovery of the 2021 deferral of customer rate increases.

COMMON SHARE DIVIDENDS

We have increased our common share dividend every year for the past 51 years, the longest record of annual dividend increases of any Canadian publicly traded company. Dividends paid to Class A and Class B share owners totaled $460 million in 2022, net of $20 million of dividends reinvested. On January 12, 2023, the Board of Directors declared a first 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)

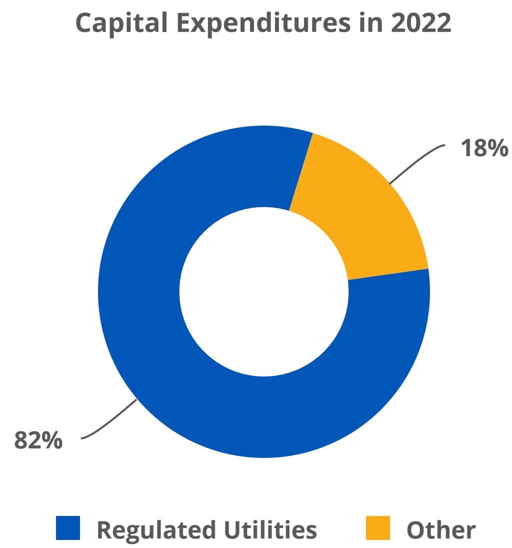


[1] *Additional information is provided under the headings "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Equity Owners of the Company" in this MD&A.*

CAPITAL INVESTMENT [1] AND CAPITAL EXPENDITURES

Total capital investment of $1,394 million in 2022 was $56 million higher compared to the same period in 2021 mainly due to ongoing capital investment in the Regulated Utilities and increased construction activities within the Energy Infrastructure segment. The increase in 2022 was partially offset by the 2021 acquisition of the Pioneer Pipeline and the completed construction of the Calgary Northwest Connector in 2021 in the Natural Gas Transmission business, and the acquisition of the Alberta Hub natural gas storage facility in the Energy Infrastructure business in December 2021.

Total capital expenditures of $1,383 million in 2022 were $156 million higher compared to the same period in 2021 mainly due to the factors outlined above with the exception of the 2021 Alberta Hub acquisition as this business combination was excluded from capital expenditures.

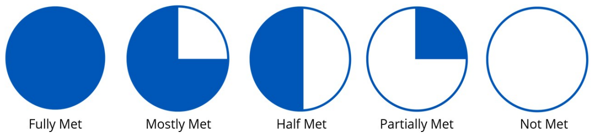


Capital spending in the Regulated Utilities accounted for 82 per cent of total capital expenditures in the full year of 2022. The remaining 18 per cent was mainly related to increased capital spending within the Energy Infrastructure segment, including the Barlow, Deerfoot and Empress Solar Projects, the expansion of the Carbon natural gas storage facility, and the Suncor ATCO Heartland Hydrogen Hub (SAH3).

[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.*

CANADIAN UTILITIES SCORECARD

The following scorecard outlines our performance in 2022.



INNOVATION

New and existing products and services

CANADIAN UTILITIES	
2022 Target	Continue to progress the energy transition strategies across the regulated and non-regulated energy businesses to increase ownership, develop or manage renewable generation, energy storage and/or clean fuel facilities, and/or modernize natural gas and/or electricity delivery.
Performance	Utilities and Energy Infrastructure continued to focus on energy transition with a specific emphasis on renewable generation, hydrogen blending, clean fuels and energy storage. Through the calendar year we announced or provided updates on the following projects (further details can be found in the Business Unit Performance section of this MD&A): • Suncor Energy Inc. Renewable Energy Portfolio Acquisition; • Suncor ATCO Heartland Hydrogen Hub (SAH3); • Atlas Carbon Sequestration Hub (Atlas Hub); • Empress and Calgary Solar Development Projects; • Central West Pumped Storage Hydro project, Australia; • Canadian Pacific (CP) Hydrogen Locomotive Project; • Beaver Creek Solar Facility and Burwash Landing Wind Facility Electricity Purchase Agreements; and • Clean Energy Innovation Hub & Hydrogen Refuelling Station, Australia.
2022 Target	Continue to prioritize working with remote communities to reduce their reliance on diesel fuels in a way that continues to support economic growth, energy independence, reconciliation and community building with Indigenous peoples.
Performance	The Yukon Electrical Company Limited (ATCO Electric Yukon) finalized two landmark Electricity Purchase Agreements with the Copper Niisüü Limited Partnership as well as the Kluane First Nation for the upcoming Beaver Creek solar and the Burwash Landing wind facilities. Once complete, these projects will support the White River and Kluane First Nations to reduce reliance on diesel power, achieve greater energy autonomy, and generate economic benefits for the next 30 years. In 2022, Canadian Utilities was selected as the partner and commenced construction on the Métis Crossing Solar Project (MCSP), a community generation solar project located in Smoky Lake County at Métis Crossing, a signature cultural destination of the Métis Nation of Alberta (MNA). The MCSP is a collaboration between the MNA, the Town of Smoky Lake, and Smoky Lake County. The development of the solar facility will provide economic and community benefits to all community partners. In 2022, ATCO, Canadian Utilities' parent company, formed a partnership with Indigenous Clean Energy (ICE), which is a pan-Canadian, not-for-profit platform focused on promoting Indigenous inclusion in Canada's energy future by advancing Indigenous leadership and collaboration. This partnership provides opportunities for us to support Indigenous projects, engage and mentor the community clean energy champions, build capacity, and ensure project success. With participation from energy experts across our company, ATCO hosted a free four-part webinar series, "*The Project Lifecycle Of Remote Community Clean Energy Projects*". These webinars provided the opportunity for communities to learn about the critical stages and key considerations in the development of community clean energy projects. The webinars are hosted on our website and YouTube channel, extending their reach to any interested parties.

GROWTH

Regulated and long-term contracted capital investment

CANADIAN UTILITIES

2022 Target	Continue to invest in technology and the modernization of both the natural gas and electricity networks to enhance sustainability and flexibility.
Performance	Electricity developed a comprehensive Grid Modernization roadmap and strategy, and the Alberta Utilities Commission (AUC) approved, as filed, the scope, timing, and 2023 forecast of this Grid Modernization program in the 2023 Cost of Service Application. Digitization of the grid continued with further progression on implementing the technology to support the Advanced Distribution Management Systems (ADMS). As of year end, our control center has a dedicated SCADA (supervisory control and data acquisition) system serving our distribution grid. Additionally the deployment of Advanced Metering Infrastructure (AMI) continued to advance with a total of 8,606 installations completed in 2022. LUMA Energy installed 149 new automation devices in 2022 at strategic locations across Puerto Rico. These innovative devices detect outages within milliseconds, shorten outage duration and reduce the number of customers that experience an outage. In 2022, LUMA Energy activated distributed energy resources for 30,700 customers, representing 179-MW of distributed solar. In addition, LUMA Energy performed interconnection studies for clean energy projects representing more than 800-MW of renewable generation and 500-MW of energy storage.
2022 Target	Continue to advance replacement and improvement projects to ensure that the safety and reliability of our gas and electricity systems are properly maintained and managed.
Performance	In 2022, all major components were completed for the Urban Pipeline Replacement (UPR) Program, a program to replace and relocate aging, high-pressure natural gas pipelines in the densely populated areas of Calgary and Edmonton to address safety, reliability and support future growth. Final clean up and project close outs remain to be completed in 2023. As part of Electricity's ongoing improvement and replacement programs, in 2022 Electricity advanced its wildfire mitigation program to address the ongoing risk of a powerline-related wildfire ignition in light of the increasing frequency of severe weather events. The program includes a focus on vegetation management in conjunction with ongoing life extension programs. In 2022, Electricity completed the second phase of its three phase replacement of a 97-km transmission line in central Alberta. The line will facilitate increased reliability in the region and enable the addition of renewable generation onto Alberta's electricity grid.

2022 Target	Continue to implement the System Remediation Plan in LUMA Energy; designed to lift the Transmission & Distribution System to the standards of a world-class utility.
Performance	While Hurricane Fiona caused significant damage across Puerto Rico, the LUMA Energy team restored service to over 90 per cent of customers impacted by the devastation of the hurricane within 12 days – a historic pace that has never been seen before in Puerto Rico. By October 10, 2022 (three weeks after the hurricane), LUMA had restored service to 99 per cent of customers. LUMA Energy has continued to improve the Transmission and Distribution System by implementing the System Remediation Plan and to date has advanced critical improvements to Puerto Rico's electric system including: • Replaced more than 3,800 broken and failing poles; • Connected over 42,000 customers to rooftop solar - adding 200-MW of clean energy to the grid; • Replaced over 21,100 streetlights as part of our US $1 billion Federal Emergency Management Agency funded Community Streetlight Initiative; • Replaced dozens of critical distribution breakers to reduce the likelihood of future outages; • Restored equipment, including one substation that had not been in operation since 2010; • Inspected and completed engineering on the 37 worst performing feeders, of which the first six feeders' work has begun; and • Performed high-level assessments on 168 feeders, 118 transmission lines, and 10 substation sites to support project scoping and identifying focus areas for upcoming repairs and reconstruction.
2022 Target	Increase the average contracted life of the in-service renewable generation portfolio by securing new power purchase agreements.
Performance	In line with our overall generation strategy, we continue to seek opportunities to enter into long-term offtake agreements with high quality counterparties that underpin new developments and provide greater stability of cash flow and earnings for share owners. In 2022, we entered into a 15-year power purchase agreement (PPA) with Microsoft Corporation. Under the terms of the agreement, Microsoft will purchase all renewable energy generated by our 37-MW Deerfoot solar project in Calgary, Alberta. Continuing into 2023, we entered into a new 15-year renewable energy purchase agreement (REPA) with Microsoft Corporation. Under the terms of the agreement, Microsoft will purchase 150-MW of renewable energy generated by our newly acquired Forty Mile Wind Phase 1 Project in Alberta.

Global expansion - continue expansion into select global markets including: North America, South America and Australia

CANADIAN UTILITIES	
2022 Target	Continue to build upon our existing renewables generation and energy storage, and invest in Clean Fuels innovation in the Energy Infrastructure business.
Performance	Building on our solar and clean fuel developments, Energy Infrastructure announced in October that we entered into a definitive agreement with Suncor Energy Inc. to acquire a portfolio of assets which includes a suite of operational wind facilities and a development pipeline of wind and solar projects in Alberta and Ontario. The transaction closed on January 3, 2023. Throughout 2022, Energy Infrastructure focused on optimizing our storage facilities, the integration of the Alberta Hub natural gas storage facility, and the completion and operation of the fifth cavern at the ATCO Heartland Energy Centre that is now storing customer products. Storage is critical to energy stability and to support the reliability of the grid as the world transitions to clean, but more intermittent sources of energy. SAH3 continues to make considerable progress. The hydrogen production facility will be located at ATCO's Heartland Energy Centre near Fort Saskatchewan, Alberta, and is expected to be operational as early as 2028, subject to a 2024 sanctioning decision. We announced in September a $9 million AUD recoverable grant had been awarded from the New South Wales Government to help fund pre-investment activities in the development of the 325-MW Central West Pumped Storage Hydro project in Australia. Further details can be found in Energy Infrastructures' Recent Developments section in this MD&A.

FINANCIAL STRENGTH

Credit Rating

2022 Target	Maintain investment grade credit rating.
Performance	Maintained 'A' long-term credit rating with stable outlook on Canadian Utilities Limited with DBRS Limited. Standard & Poors revised its issuer rating for Canadian Utilities Limited from 'A-' with a negative outlook to 'BBB+' with a stable outlook. Fitch Ratings assigned a first-time issuer rating of 'A-' with stable outlook to Canadian Utilities Limited.

Access To Capital Markets

2022 Target	Continue to manage liquidity and access to capital in a prudent manner that facilitates strong access to capital at appropriate rates.
Performance	Despite heightened volatility and market turmoil globally, our businesses retained strong liquidity and market access in the year, with the market recognizing our financial strength and stability. On June 3, 2022, Canadian Utilities Limited issued $250 million of 4.851 per cent 30-year debentures. Proceeds from this issuance were used to repay existing indebtedness, and for other general corporate purposes. The issue was oversold and completed at an attractive spread of 198 basis points above Government of Canada 30-year bond rates. On September 14, 2022, CU Inc. issued $210 million of 4.773 per cent 30-year debentures. Proceeds from this issuance were used for financing capital expenditures, and for other general corporate purposes. The issue was oversold and completed at an attractive spread of 163 basis points above Government of Canada 30-year bond rates.

OPERATIONAL EXCELLENCE

In 2022, **Safety** was included as a fifth core value alongside **Integrity**, **Collaboration**, **Caring**, and **Agility**. This value reiterates that safety is the first consideration in everything we do. We hold a shared belief that safety must direct all our day-to-day priorities and decisions, and we are accountable for understanding and following the health and safety requirements for any work we undertake.

Employees Lost-Time Incident Frequency (LTIF)

2022 Target	Compare favourably to safety benchmarks.
Performance	Our lost time incident frequency in 2022 was 0.12/200,000 hours worked. Our lost-time incident frequency compares favourably to many benchmarks including Alberta Occupational Health and Safety, US private industry, and industry best practice rates. While our results are favourable to benchmarks, we continue to strive to have best-in-class safety programs that prioritize the safety of our people.

Employees Total Recordable Incident Frequency (TRIF)

2022 Target	Compare favourably to safety benchmarks.
Performance	Our total recordable incident frequency in 2022 was 1.04 incidents/200,000 hours worked. Our total recordable incident frequency in 2022 compares favourably to many benchmarks including US private industry and industry best practice rates. While we have made great progress and continue to improve, we continue to strive to have best-in-class safety programs that prioritize the safety of our people.

Customer Satisfaction

UTILITIES

2022 Target	Achieve exemplary service for the customers and communities we serve. Results from customer satisfaction surveys should be consistent with or better than prior years.
Performance	Electricity and Natural Gas Distribution achieved high service satisfaction levels, with approximately 95 per cent of customers agreeing that Canadian Utilities provides good service. These results compare favourably to industry averages and are consistent with previous years. ATCO Gas Australia's Customer Satisfaction (CSAT) was 8.8 out of a possible 10, above the national industry benchmark of 8.4. ATCO Gas Australia consistently outperforms the broader energy industry in terms of both customer satisfaction and also a second measurement, the ease of implementation of its services. The ease of implementation scored 8.9 out of a possible 10, above the national industry benchmark of 8.6.
2022 Target	Continue to prioritize improvements in LUMA Energy based on customer input and measure effectiveness via overall Customer Satisfaction scores.
Performance	LUMA Energy had a year-over-year increase of 3 per cent in overall customer satisfaction, a 13 per cent increase in the area of billing and payment, and a 9 per cent increase in contact centre customer service as measured by J.D. Power CSAT scoring.

Organizational Transformation - Streamline and gain operational efficiencies

ATCO	
2022 Target	Continue to demonstrate progress in leadership development, succession planning, and diversity, equity and inclusion initiatives across the organization.
Performance	In 2022, ATCO, Canadian Utilities' parent company, was selected as a Top Employer in Alberta and a Top Employer for Young People in Canada. The Company continues to evolve the succession management program platform and reporting to incorporate key metrics in the areas of growth, critical roles, top talent and diversity groups. Critical roles have successors identified and incumbents have development plans for retention. The Company continues to progress the development of our leaders with psychological safety and additional leadership training programs offered through the Leadership Development Academy. In July 2022, ATCO's Diversity, Equity and Inclusion (DE&I) Committee hosted guests from 38 companies across Canada, to join our inaugural DE&I event, facilitating conversations and knowledge-sharing around the power of representation. The key-note speaker was Hon. Scott Brison, P.C., Vice-Chair, Investment & Corporate Banking, BMO. 2022 was the inaugural year of the *Women's Speed Networking* events, one of our cross-organization mentoring programs. Almost 60 participants were given the opportunity to connect with company leaders, including the Chair and CEO of ATCO and Canadian Utilities, Nancy Southern. The events kicked off in Calgary during Gender Equality Week and not only provided professional development, but also encouraged women to find their voice, advocate for themselves, and build networks across the Company.
UTILITIES	
2022 Target	Continue to optimize enterprise resource planning, workforce and asset management, customer information systems and computerized maintenance management systems within the Utilities.
Performance	We continued to progress the implementation of its Workforce and Asset Management program for the Electricity and Natural Gas businesses, aimed at advancing digitalization and data analytics. This technology will help to optimize resources, and digitize information and processes; thereby providing a means to track, manage, and dispatch work to field-based employees more efficiently and is expected to be fully complete in 2023. In 2021, ATCO Gas Australia commenced an upgrade of its billing and metering system to comply with Australian Energy Market Operator (AEMO) regulations. This project will provide stakeholders with added functionality and upgrades the software to the latest version. The upgrade is expected to be complete in 2023. The Alberta Utilities Customer Information System (CIS) replacement program for both Natural Gas and Electricity is well underway. CIS holds our metering asset information, collects meter reads, calculates billing, and applies rates and production tariff bills for retailers. Both programs have experienced delays in in-service dates but are expected to be completed in 2023.
2022 Target	LUMA Energy will advance its integrated safety culture and programs that will allow prioritization of safety risks and mitigations across business functions and enable employee safety, compliance and continual improvement.
Performance	In the first year of operations, over 140,000 hours of mentorship, safety and technical training have been completed by employees and contractors at LUMA Energy. Since the commencement of operations, LUMA Energy has driven significant improvements in all safety measures across the business. In 2022, LUMA Energy achieved a TRIF of 2.66, a 65 per cent improvement from the prior operator and had a severity rate of 15.5, a 75 per cent improvement from the prior operator. During Hurricane Fiona, LUMA Energy achieved a TRIF of 2.42. This is a result of significant emphasis placed upon safety during emergency response efforts, including onboarding contractor safety specialists and setting expectations for adequate hazard assessment and worksite observations during restoration efforts.

2022 Target	LUMA Energy has developed baseline performance metrics and will monitor progress in, among other areas, customer service, safety, reliability and the delivery of budgeted results.
Performance	LUMA Energy is currently operating under an extended fixed fee arrangement during the Supplemental Agreement period. The extension of the Agreement was approved November 30, 2022; support for the work done to date was a consideration in the extension. While the agreement does not contain specific performance metrics, LUMA Energy created and progressed baseline performance metrics that are being reported quarterly to the regulatory body and the public. Once Puerto Rico Electric Power Authority (PREPA) exits from bankruptcy, incentive compensation will be measured through achieving performance metrics. Performance metrics have been submitted to the Puerto Rico Energy Bureau (PREB), the energy regulatory agency. The key performance metric categories currently being proposed are as follows: • **Customer Satisfaction** - Achieve a high-level of customer satisfaction across all customer classes. • **Technical, Safety & Regulatory** - Operate a safe and reliable electrical grid while remaining compliant with applicable safety regulations. • **Financial Performance** - Meet the approved Federally Funded Operating & Capital Budget and Non-Federally Funded Capital Budget.

COMMUNITY INVOLVEMENT

Indigenous Relations

ATCO	
2022 Target	Continue to work together with Indigenous communities to contribute to economic and social development in their communities.
Performance	Across ATCO, $81,000 was awarded to 68 students across Canada, including the territories, through the ATCO Indigenous Education Awards Program. Across ATCO, 4,528 employees participated in one of the many Indigenous training courses offered in 2022 through in-person and virtual classroom training platforms. We continue to innovate new, collaborative models for our partnerships with Indigenous Peoples. Highlights in 2022 include a share purchase agreement between Denendeh Investments Incorporated (DII) and ATCO Electric Ltd. to increase DII's ownership stake in Northland Utilities Enterprises Ltd. from 14 per cent to 50 per cent. In addition, AEY finalized two landmark Electricity Purchase Agreements for the upcoming Beaver Creek solar and the Burwash Landing wind facilities, and Canadian Utilities was selected as the partner and commenced construction on the MCSP, a community generation solar project located in Smoky Lake County.

Employee-led Charitable Campaigns

ATCO	
2022 Target	Continue to administer the employee-led campaign to give employees the opportunity to contribute to charitable organizations in the communities in which they work.
Performance	Employees and ATCO, the Company's parent, through the Company match program, pledged more than $3.6 million combined to support hundreds of community charities in 2022. The annual ATCO Employees Participating In Communities (EPIC) campaign has a cumulative fundraising total of nearly $54 million since its inception in 2006.

CANADIAN UTILITIES	
2022 Target	LUMA Energy will establish the Somos LUCES (LUMA Committed with Employees) program.
Performance	In 2022, the Somos LUCES program was launched. The program offers a 1:1 company match for donations and this year LUMA employees saw their donations matched at twenty different non-profit organizations. LUMA pledged more than $75,000 during the 2022 program.

Community Investment

CANADIAN UTILITIES	
2022 Target	Invest in the health and safety of LUMA Energy's people and communities by opening a state-of-the-art electricity and distribution lineworkers college in Puerto Rico. The formal college is expected to open in the second quarter of 2022.
Performance	Construction of the LUMA College for Technical Training is scheduled to be completed at the end of the second quarter of 2023 with a grand opening scheduled for later in 2023. The college's primary purpose is to develop a local pipeline of future lineworkers and to enhance the skills of the initial LUMA craft employees. While the initial opening was delayed, partially due to Hurricane Fiona, our programs continued at our Palo Seco facility, and over 750 certification, training and development programs were completed.
2022 Target	LUMA Energy will continue its grassroots community investment program across Puerto Rican municipalities through partnership with the American Red Cross of Puerto Rico and the Boys & Girls Club of Puerto Rico.
Performance	LUMA Energy and the Puerto Rico Chapter of the American Red Cross announced in July 2022 the continuation of their partnership. This partnership provides communities across Puerto Rico with educational resources and programs for students and families focused on preparing for emergencies and improving electrical safety in the home. LUMA Energy also renewed the collaborative agreement with Boys & Girls Clubs of Puerto Rico. Through this agreement, LUMA Energy impacted more than 800 students through different programs that Boys & Girls Clubs of Puerto Rico offers. With the renewal of this agreement, we continue to reaffirm our social responsibility in Puerto Rico, and we will continue to support the education of children through various educational projects.

STRATEGIC PRIORITIES FOR 2023

Our 2022 performance highlights that our corporate strategy, which includes leadership in environmental, social and governance matters, continues to drive success. Our 2023 strategy will build on these achievements and look to create additional value through the execution of the priorities identified below.

GROWTH	**Support energy transition with strategic regulated and non-regulated capital investments.** Canadian Utilities will invest in its core utility assets to ensure continued safe and reliable operations and continue to invest in renewable generation, clean fuels and energy storage within Energy Infrastructure. Additionally, Canadian Utilities will target investments that support system growth and the modernization needed to support the energy transition and the decarbonization needs of our customers.
	Continue expansion into select global markets including Australia and the Americas. Our businesses will leverage our reputation to drive growth in markets where we are a known, trusted brand. We will also seek opportunities to collaborate where an alignment of key values and complementary expertise exists; prioritizing Indigenous partnerships. We continue to explore opportunities that will complement our growth strategies for each business, specifically those that increase diversification.

INNOVATION	**Explore diversification opportunities that complement our current products, services and assets.** Each business within Canadian Utilities continues to evaluate opportunities to expand offerings and better serve customers. These efforts aim to specifically target new business areas and services that build upon their core competencies and leverage existing assets. Additionally, in 2023 we will focus on promoting cross-organizational opportunities to find efficiencies and change the way we do business, by fully utilizing the strengths of our diverse and high-performing workforce.
	Execute initiatives and projects to drive meaningful progress towards our 2030 ESG targets. With the January 2022 announcement of ATCO's 2030 ESG goals, our businesses have committed to the achievement of their own supporting initiatives and have embedded these goals within their respective strategies. Across the Company, businesses are pursuing opportunities and developing programs that create operational efficiency and effectiveness, while increasing Indigenous benefits and supporting leadership development and career opportunities for all employees. We are also continuing to advance its energy transition strategies across regulated and non-regulated businesses, while simultaneously modernizing our existing electricity and natural gas systems to support the energy transition and ensure continued reliability.

FINANCIAL STRENGTH	**Cultivate the continued financial strength needed to create prosperity and opportunity for generations to come.** Our business strategies, funding of operations, and planned future growth are supported by maintaining our strong investment grade credit ratings and continued access to capital markets at competitive rates.

OPERATIONAL EXCELLENCE	**Compare favourably to safety benchmarks.** Our Company is committed to a culture of health and safety excellence and our positive performance will continue to be reflected in the favourable rankings against industry safety benchmarks, such as lost-time incidents and incident frequency.
	Achieve high service satisfaction levels for the customers and communities we serve. Results from customer satisfaction surveys should be consistent with or better than prior years and we will leverage customer input and effectiveness measures in the prioritization of process improvements.
	Be an employer of choice while building and strengthening the capacity of our people. We continue to focus on employee engagement and programs that enhance diversity, equity and inclusion across our organization. Leadership development that lends to effective succession planning and opportunities for employee growth will continue to be a priority; supporting both employee satisfaction and retention.

COMMUNITY INVOLVEMENT	**Committed to reconciliation with Indigenous communities and the maximizing of benefits.** We believe that our Indigenous partners should be provided with opportunities to share in the economic and social benefits of developments that happen within their communities. We look to increase net economic benefits to our Indigenous partners each year.
	Be a leader in supporting initiatives and charitable organizations within the communities we live and work. We will continue to administer the incredibly successful employee-led charitable campaigns of ATCO EPIC and Somos LUCES. Within the communities that Canadian Utilities does business, we will continue to seek out and support programs that deliver meaningful benefits to community members.

ATCO EPIC Days of Caring

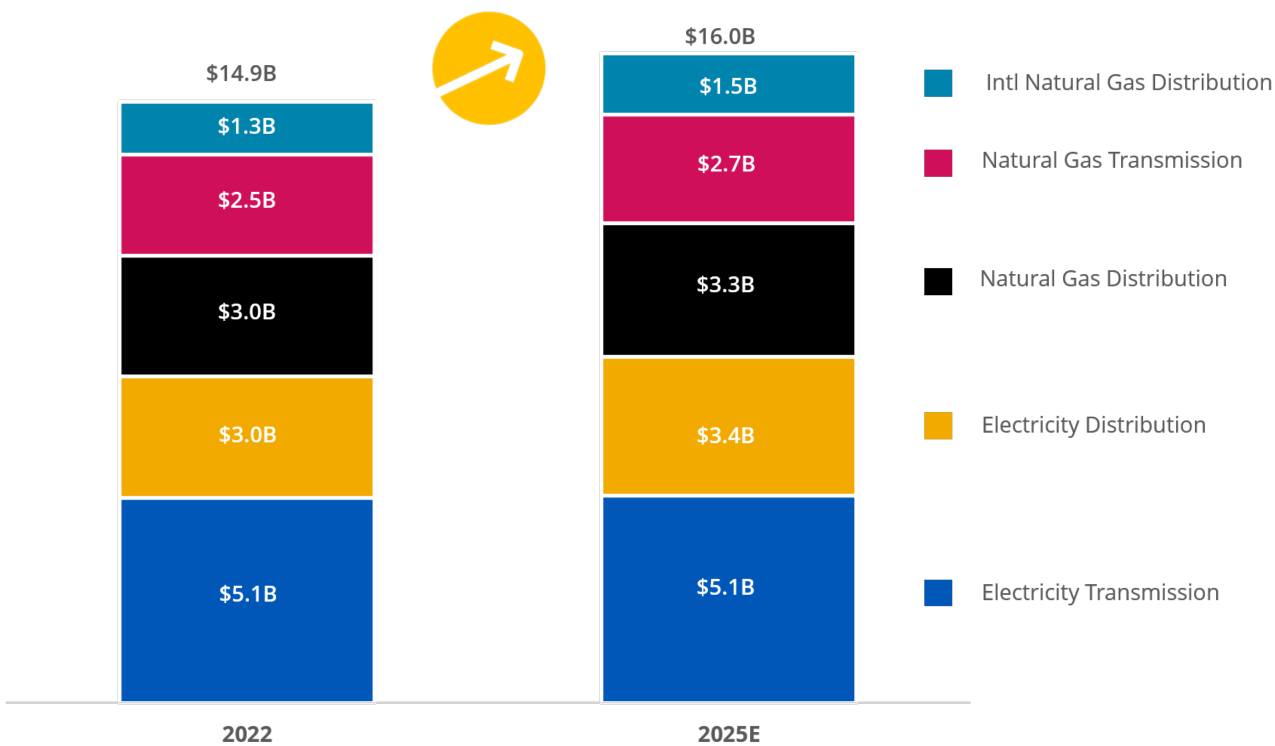
CAPITAL INVESTMENT PLANS [1]

In the 2023 to 2025 period, Canadian Utilities expects to invest $4.1 billion in regulated utility and commercially secured energy infrastructure capital growth projects. This capital investment is expected to contribute significant earnings and cash flows and create long-term value for share owners.

The three year plan includes $3.3 billion of planned capital investment in the Regulated Utilities of which $0.9 billion relates to Electricity Distribution, $0.7 billion to Electricity Transmission, $0.9 billion to Natural Gas Distribution, $0.5 billion to Natural Gas Transmission and $0.3 billion to International Natural Gas Distribution.

Mid-year rate base is equal to the total net capital investment less depreciation. Growth in mid-year rate base is a leading indicator of a utility's earnings trend, depending on changes in the equity ratio of the mid-year rate base and the rate of return on common equity.

MID-YEAR RATE BASE GROWTH (C$ Billions)



(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.*

CORPORATE GOVERNANCE

Ensuring that our business operates in a transparent, ethical and accountable manner is at the core of creating strong and sustainable value for our share owners and in promoting the Company's well-being over the long term.

We do not believe in a one-size-fits-all approach to governance. Our Board of Directors has designed and implemented a unique and effective system of checks and balances that recognize the need to provide autonomy to our various business units, while prudently managing our financial resources.

This fit-for-purpose approach to governance has worked exceedingly well over the years, providing our Board of Directors and senior management team with the foundation to create prosperity and opportunity for generations to come.

Following are some of the highlights of our model for corporate governance. For a more complete picture, please see the Governance section of the 2022 Management Proxy Circular, which will be available in March 2023.

OUR BOARD OF DIRECTORS

The role of our Board of Directors has evolved alongside our business, providing oversight to an organization with a growing global footprint and a diverse, yet complementary suite of premier products and services. The Board strives to ensure that its corporate governance practices provide for the effective stewardship of the Company, and it regularly evaluates these practices to ensure they are in keeping with the highest standards.

Key elements of our corporate governance system include the oversight and diligence provided by the Board, the Lead Director, the Audit & Risk Committee, the Corporate Governance - Nomination, Compensation and Succession Committee (GOCOM), and Pension Fund Committee. Although not required by securities laws, some of our governance tools, such as the use of Designated Audit Directors (DADs), also reinforce the effectiveness and rigor of our governance model.

Much like our business operations, the strength of our Board of Directors is due in no small part to the diverse nature of skills, talent and experience each member brings to Board deliberations.

In 1995, Canadian Utilities was among the first public companies in Canada to introduce the concept of a Lead Director. Dr. Roger J. Urwin is the current Lead Director for Canadian Utilities, and was appointed to this position on May 6, 2020. The Lead Director provides the Board with the leadership necessary to ensure independent oversight of management. The Lead Director must be an independent director and is a member of GOCOM.

DESIGNATED AUDIT DIRECTORS

Distinctly unique to ATCO and Canadian Utilities are the Designated Audit Directors. Each DAD is assigned to one of our business units to provide oversight based on their strengths and experience in various industry sectors.

Each DAD meets quarterly with the senior leadership of their business unit and holds annual meetings with internal and external auditors. In addition, they review their respective businesses' financial statements and operating results, discuss risks with management, and report on both operating results and risks to our Audit & Risk Committee.

BUSINESS UNIT PERFORMANCE

REVENUES

Utilities revenues of $902 million and $3,384 million in the fourth quarter and full year of 2022 were $18 million and $343 million higher than the same periods in 2021. Higher revenues, largely in Electricity Distribution and Natural Gas Distribution, are a result of rate relief provided to customers in 2021 in light of the COVID-19 global pandemic and subsequently the AUC decision to maximize the collection of 2021 deferred revenues in 2022. Higher revenues are also due to growth in rate base, and higher flow-through revenues in the Natural Gas Distribution business.

ADJUSTED EARNINGS

	Three Months Ended December 31			Year Ended December 31		
($ millions)	**2022**	**2021**	**Change**	**2022**	**2021**	**Change**
Electricity						
Electricity Distribution [1]	**33**	37	(4)	**161**	151	10
Electricity Transmission [1]	**37**	35	2	**165**	152	13
International Electricity Operations [1]	**10**	16	(6)	**49**	44	5
Total Electricity	**80**	88	(8)	**375**	347	28
Natural Gas						
Natural Gas Distribution [1]	**63**	72	(9)	**158**	142	16
Natural Gas Transmission [1]	**20**	20	—	**88**	81	7
International Natural Gas Distribution [1]	**26**	26	—	**93**	65	28
Total Natural Gas	**109**	118	(9)	**339**	288	51
Total Utilities [2]	**189**	206	(17)	**714**	635	79

(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.

Utilities adjusted earnings of $189 million in the fourth quarter of 2022 were $17 million lower than the same period in 2021 mainly due to timing of cost recoveries in International Electricity Operations and the timing of operating costs in Electricity Distribution, Natural Gas Distribution and International Electricity Operations.

Utilities adjusted earnings of $714 million in the full year of 2022 were $79 million higher than the same period in 2021. Higher adjusted earnings were mainly due to the impact of inflation indexing on rate base in the International Natural Gas Distribution business, cost efficiencies, and growth in rate base. Higher adjusted earnings were also due the impact of the Electricity Transmission 2018-2019 General Tariff Application (GTA) Compliance Filing and the 2020-2022 GTA Compliance Filing decisions received from the AUC in the second and third quarters of 2021.

Detailed information about the activities and financial results of the Utilities 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 $33 million in the fourth quarter of 2022 were $4 million lower than the same period in 2021 mainly due to the timing of operating costs.

Electricity Distribution adjusted earnings of $161 million in the full year of 2022 were $10 million higher than the same period in 2021 mainly due to cost efficiencies.

Electricity Transmission

Electricity Transmission provides regulated 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 $37 million and $165 million in the fourth quarter and full year of 2022 were $2 million and $13 million higher than the same periods in 2021. Adjusted earnings in 2021 were lower as a result of the Electricity Transmission 2018-2019 GTA Compliance Filing and the 2020-2022 GTA Compliance Filing decisions received from the AUC in the second and third quarters of 2021. Combined, these decisions included a $12 million reduction of earnings in 2021 related to prior periods.

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 (P3A) and the Puerto Rico Electric Power Authority.

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. The agreement allows LUMA Energy to collect an annualized fixed fee equivalent of $115 million USD. 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 of $10 million in the fourth quarter of 2022 were $6 million lower than the same period in 2021 mainly due to timing of operating costs and timing of cost recoveries.

International Electricity Operations adjusted earnings of $49 million in the full year of 2022 were $5 million higher than the same period in 2021. Higher adjusted earnings were mainly due to ongoing operations, as compared to the ongoing transition work in the first half of 2021 and the impact of 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 of $63 million in the fourth quarter of 2022 were $9 million lower than the same period in 2021 mainly due to timing of operating costs.

Natural Gas Distribution adjusted earnings of $158 million in the full year of 2022 were $16 million higher than the same period in 2021 mainly due to cost efficiencies.

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 $20 million in the fourth quarter of 2022 were comparable to the same period in 2021.

Natural Gas Transmission adjusted earnings of $88 million in the full year of 2022 were $7 million higher than the same period in 2021 mainly due to growth in rate base, including the acquisition of the Pioneer Pipeline which occurred in June 2021.

International Natural Gas Distribution

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

International Natural Gas Distribution adjusted earnings of $26 million in the fourth quarter of 2022 were comparable to the same period in 2021.

International Natural Gas Distribution adjusted earnings of $93 million in the full year of 2022 were $28 million higher than the same period in 2021 mainly due to the impact of inflation indexing on rate base. The impact of inflation on rate base is added to the rate base annually and is reflected in customer rates in future periods through the recovery of depreciation. Customer rates are adjusted annually through a mechanism, which adjusts the approved rates in real dollars for actual inflation. Higher earnings were partially offset by the impact of foreign exchange rates.

UTILITIES RECENT DEVELOPMENTS

Electricity Distribution

White River First Nation Saa Sè Energy Project

ATCO Electric Yukon, a subsidiary of Canadian Utilities, and Copper Niisüü Limited Partnership, have finalized a landmark Electricity Purchase Agreement that will help the White River First Nation reduce their reliance on diesel power, achieve greater energy autonomy, and generate economic benefits for the next 30 years.

Under the agreement, CNLP will build, own and operate the Beaver Creek solar facility, designed to be the largest penetration solar project in the Yukon Territory – a measure of how much power generated by current means is being replaced by solar electricity. Canadian Utilities will provide technical expertise throughout the duration of the project and will manage the installation of equipment that helps connect solar equipment to Canadian Utilities' existing systems. Once construction is completed, CNLP will serve as the Independent Power Producer, owning and operating the solar facility. Canadian Utilities will purchase the solar electricity generated, connect it to the grid and redistribute it back to the community. The facility is expected to be fully operational by 2024.

The Government of the Northwest Territories (GNWT) Electric Vehicle (EV) Investment

In August 2022, GNWT announced it is providing Northland Utilities Enterprises Ltd. (NUE), a 50/50 joint-venture partnership between a subsidiary of the Company and Denendeh Investments Incorporated (DII), with up to $300,000 to support the installation of two public EV fast-charger stations in Yellowknife.

The charger stations are part of the planned EV charging corridor between Yellowknife and the Alberta border committed to by the GNWT as part of their 2030 Energy Strategy. It will also support the purchasing of EVs for Northern Canadian residents by increasing public access to the charging infrastructure. This partnership highlights our Company's continued focus on collaboration to enable and accelerate the clean energy transition.

Northland Utilities Enterprises Ltd. Ownership Structure

On March 31, 2022, the Company and Denendeh Investments Incorporated entered into a share purchase agreement to increase DII's ownership interest in NUE from 14 per cent to 50 per cent. NUE is an electric utility company operating in the Northwest Territories and a subsidiary of ATCO Electric Ltd. The change in ownership interest was accomplished through DII's purchase of 36 per cent of the outstanding shares of NUE for a purchase price, net of cash disposed, of $8 million. The transaction results in each party having a 50 per cent ownership interest in NUE and highlights our continued commitment to foster Indigenous community ownership and self-sustaining economic development.

International Natural Gas Distribution

Clean Energy Innovation Hub Hydrogen Projects

In December 2022, Canadian Utilities announced the commissioning of two hydrogen projects at the Clean Energy Innovation Hub in Australia, the blending of hydrogen into the Western Australia natural gas network and the first hydrogen fuelling station.

A small percentage of hydrogen has been blended into a portion of the natural gas distribution network for around 2,700 homes within the City of Cockburn.

Canadian Utilities, in partnership with Fortescue Future Industries, has constructed WA's first Hydrogen Refuelling Station that will enable Fortescue, Canadian Utilities and third parties such as the WA Police to support their fleets of hydrogen fuel cell vehicles for emissions-free travel.

UTILITIES REGULATORY FRAMEWORKS

Regulated Business Models

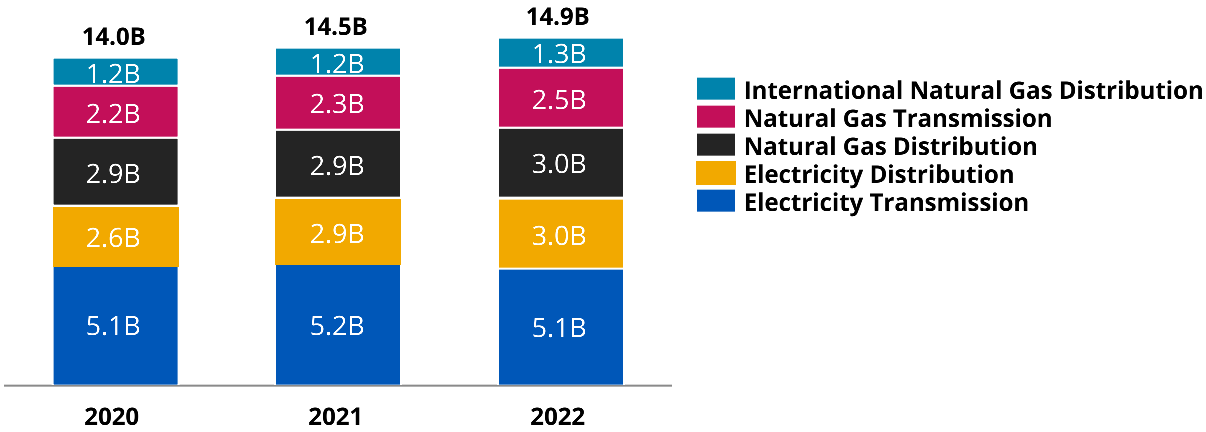
The business operations of Electricity Distribution, Electricity Transmission, Natural Gas Distribution and Natural Gas Transmission are regulated mainly by the Alberta Utilities Commission. The AUC administers acts and regulations covering such matters as rates, financing and service area.

Natural Gas Transmission and Electricity Transmission operate under cost of service (COS) regulation. Under this model, the regulator establishes the revenues to provide for a fair return on utility investment using mid-year calculations of the total investment less depreciation, otherwise known as mid-year rate base. Growth in mid-year rate base is a leading indicator of the business' earnings trend, depending on changes in the approved equity component of the mid-year rate base and the rate of return on common equity.

Natural Gas Distribution and Electricity Distribution operate under performance-based regulation (PBR). Under PBR, revenue is determined by a formula that adjusts customer rates for inflation less an estimated amount for productivity improvements. The AUC reviews the utilities' results annually to ensure the rate of return on common equity is within certain upper and lower boundaries. To do these calculations, the AUC uses mid-year rate base. For this reason, growth in mid-year rate base can be a leading indicator of the business' earnings trend, depending on the ability of the business to maintain costs based on approved going-in rates and on the formula that adjusts rates for inflation and productivity improvements.

International Natural Gas Distribution is regulated mainly by the Economic Regulation Authority (ERA) of Western Australia. International Natural Gas Distribution operates under incentive based regulation (IBR) under which the ERA establishes the prices for a five-year period to recover a return on forecasted rate base, including income taxes, depreciation on the forecasted rate base, and forecasted operating costs based on forecasted throughput. For this reason, growth in rate base can be a leading indicator of the business' earnings trend, depending on the ability of the business to maintain costs within approved forecasts.

Regulated Utilities Mid-Year Rate Base ($ Billions)



Performance Based Regulation (PBR)

Under the 2018 to 2022 second generation PBR framework, electricity and natural gas distribution utility rates are adjusted by a formula that estimates annual inflation and assumes productivity improvements.

In 2022, the Natural Gas Distribution and Electricity Distribution businesses concluded their second PBR term resulting in earnings achieved through cost efficiencies implemented in 2022 and prior periods. These efficiencies will be passed on to customers upon rebasing. Following a one-year cost-of-service rebasing in 2023, these businesses will move to a third generation of performance-based regulation (PBR3). More information on PBR3 is outlined below in the Regulatory Updates section.

	PBR Second Generation
Timeframe	2018 to 2022
Inflation Adjuster (I Factor)	Inflation indices (AWE and CPI) adjusted annually
Productivity Adjuster (X Factor)	0.30%
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
Treatment of Capital Costs	• 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 weighted average cost of capital (WACC) • Significant capital costs that are extraordinary, not previously incurred and required by a third party, are recovered through a "Type I" K Factor
Return On Equity (ROE) Used for Going-in Rates	• 8.5% • + 0.5% ROE ECM achieved from PBR First Generation added to 2018 and 2019
Efficiency Carry-over Mechanism (ECM)	ECM up to 0.5% additional ROE for the years 2023 and 2024 based on certain criteria
Reopener	+/- 300 bps of the approved ROE for two consecutive years or +/- 500 bps of the approved ROE for any single year
ROE Used for Reopener Calculation	• 2018: 8.5% excluding impact of ECM • 2019: 8.5% excluding impact of ECM • 2020 - 2022: 8.5%

Access Arrangement - International Natural Gas Distribution

Under the existing Access Arrangement (AA5), ATCO Gas Australia is using the Post-Tax Revenue Model method to determine revenue requirement and customer rates. This approach incorporates an annual addition of the impact of inflation to the rate base, which is reflected in future customer rates through the recovery of depreciation. Customer rates are annually adjusted through a mechanism that aligns approved rates in real dollars with actual inflation.

The Economic Regulation Authority is required to publish a Rate of Return Instrument that details the methodology and parameters to determine the WACC relevant to the Access Arrangement period. The current AA5 applicable period is January 1, 2020 to December 31, 2024. The ERA reviews and updates the Instrument every four years, with the most recent Instrument published in December 2022. This updated Instrument will not be applied until the next Access Arrangement period (AA6) and has no impact on the current AA5 ROE of 5.02 per cent. More information on AA6 is outlined below in the Regulatory Updates section.

REGULATORY UPDATES

Common Matters

Generic Cost of Capital Proceeding (GCOC)

On March 31, 2022, the AUC approved the extension of the current ROE of 8.5 per cent and equity thickness ratio of 37 per cent on a final basis for the 2023 period. On June 29, 2022, the AUC initiated a process schedule to determine the cost-of-capital parameters and explore a formula-based approach to determine the ROE for 2024 and future test years. As part of this proceeding, the AUC has also highlighted the need to establish the deemed equity ratios for the 2024 test period and in future years if a formula is implemented. A decision is expected in the third quarter of 2023.

2023 Cost of Service (COS) for Distribution Utilities

On July 28, 2022 and September 1, 2022, the AUC issued decisions on Electricity Distribution's and Natural Gas Distribution’s 2023 COS applications which resulted in the majority of the requested revenue requirement being approved. The AUC accepted the forecasting methodology and confirmed that it reflects achieved efficiencies, which are being passed onto customers. Electricity and Natural Gas Distribution received AUC approval in December 2022, approving 2023 distribution rates on an interim basis effective January 1, 2023.

Third Generation Performance Based Regulation

On May 26, 2022, the AUC initiated a proceeding to establish parameters for a third generation of performance-based regulation. Following a one-year cost of service rebasing in 2023, this proceeding will set rates for the Distribution utilities for the subsequent PBR term which commences in 2024. A decision on third generation parameters is expected in the fourth quarter of 2023.

Bill 18 – Utility Commodity Rebate Act

On April 25, 2022, the provincial government passed Bill 18: *Utility Commodity Rebate Act* which includes legislation to allow the government to provide upcoming electricity and gas rebates to Albertans. Bill 18 enables the Government of Alberta (GOA) to provide monthly electricity rebates from July 2022 to April 2023 for a total rebate of $500, to almost all homes and businesses, as well as a natural gas rebate (administrated through retailers) if regulated natural gas rates exceed $6.50 per gigajoule over winter (October 1, 2022 to March 31, 2023). Since the rebate is government funded there is no financial impact to Canadian Utilities.

Electricity Transmission

Application of AUC Enforcement Staff for the Commencement of Proceeding Pursuant to Sections 8 and 63 of the Alberta Utilities Commission Act

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

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

ATCO Electric Transmission 2018-2021 Deferral Account

The proceeding was re-opened on June 29, 2022 to address the costs associated with the Jasper interconnection project and include the 2021 deferral balances. ATCO Electric Transmission filed a comprehensive update to all information originally filed in support of the Jasper Interconnection Project and a Decision is expected in the second quarter of 2023.

ATCO Electric Transmission 2023-2025 GTA Application

On May 19, 2022, ATCO Electric Transmission filed a GTA requesting approval of revenue requirements related to operational and maintenance costs as well as capital expenditures needed over the 2023-2025 period. The application also requested new deferral accounts and changes to a number of existing deferral accounts. A comprehensive negotiated settlement was reached with all the participating interveners, and a negotiated settlement application was filed with the AUC in January 2023. A decision from the AUC is expected in the second quarter of 2023.

Natural Gas Transmission

Pioneer Pipeline Acquisition

In 2020, Natural Gas Transmission entered into an agreement to acquire the 131-km Pioneer Pipeline from Tidewater Midstream & Infrastructure Ltd. and its partner TransAlta Corporation. Consistent with the geographic areas defined in the Integration Agreement, Natural Gas Transmission transferred to Nova Gas Transmission Ltd. (NGTL) the 30-km segment of pipeline that is located in the NGTL footprint.

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

International Natural Gas Distribution

Access Arrangement 6 (AA6)

ATCO Gas Australia is advancing its AA6 submission to the Economic Regulation Authority for the period January 1, 2025 to December 31, 2029. ATCO Gas Australia will formally submit its Access Arrangement proposal to the ERA by September 1, 2023.

The ERA published the 2022 Rate of Return Instrument on December 16, 2022. On the return on equity, compared to the 2018 Instrument, the 2022 Instrument is favourable as it adopts a 10-year term for the risk free rate (in the 2018 Instrument a 5-year term was adopted) and a 6.1 per cent market risk premium (in the 2018 Instrument a 6.0 per cent market risk premium was adopted). On the cost of debt, the 2022 Instrument retains the hybrid trailing average approach and incorporates a small increase (0.074 per cent) in debt hedging and raising costs. This new rate of return instrument will not apply to ATCO Gas Australia until AA6 commences on January 1, 2025.

REVENUES

Energy Infrastructure revenues of $94 million and $312 million in the fourth quarter and full year of 2022 were $20 million and $103 million higher than the same periods in 2021. Higher revenues were mainly due to revenue from the Alberta Hub natural gas storage facility acquired in December 2021 and higher natural gas prices at the Carbon and Alberta Hub natural gas storage facilities.

ADJUSTED EARNINGS

	Three Months Ended December 31			Year Ended December 31		
($ millions)	**2022**	**2021**	**Change**	**2022**	**2021**	**Change**
Electricity Generation (1) (2)	**(4)**	—	(4)	**3**	13	(10)
Storage & Industrial Water (1) (2)	**9**	4	5	**32**	15	17
Total Energy Infrastructure (2)	**5**	4	1	**35**	28	7

(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.

Energy Infrastructure adjusted earnings of $5 million and $35 million in the fourth quarter and full year of 2022 were $1 million and $7 million higher than the same periods in 2021 mainly due to earnings from the Alberta Hub natural gas storage facility acquired in December 2021, partially offset by higher project development costs incurred in 2022, largely in Australia.

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

Electricity Generation

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

Electricity Generation adjusted earnings in the fourth quarter and full year of 2022 were $4 million and $10 million lower compared to the same periods in 2021 mainly due to higher project development costs incurred in 2022, largely in Australia.

Storage & Industrial Water

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

Storage & Industrial Water adjusted earnings of $9 million and $32 million in the fourth quarter and full year of 2022 were $5 million and $17 million higher compared to the same periods in 2021 mainly due to earnings from the Alberta Hub natural gas storage facility acquired in December 2021.

ENERGY INFRASTRUCTURE RECENT DEVELOPMENTS

Renewable Energy Portfolio Acquisition

In October 2022, Canadian Utilities announced it had entered into a definitive agreement with Suncor Energy Inc. to acquire a portfolio of wind and solar assets and development projects located in Alberta and Ontario. Subsequent to year-end, on January 3, 2023, the transaction closed for a purchase price of $713 million, net of cash acquired, and subject to working capital adjustments.

The acquisition includes a majority interest in the Adelaide wind facility in Ontario, the new 202-MW Forty Mile wind project in Alberta, and a development pipeline with more than 1,500-MW of wind and solar projects at various stages of development, including several late-stage projects.

Through a formal preemptive rights process, existing partners on the Chin Chute and Magrath Wind projects opted to acquire the additional interest in these facilities. As a result, the corresponding 20-MW of net nameplate capacity of the previously announced 252-MW operational portfolio was not acquired by Canadian Utilities as part of this transaction and the purchase price was adjusted accordingly from $730 million to $713 million.

Adelaide wind facility, Ontario, Canada

Concurrent with the close of this acquisition, Canadian Utilities entered into a new 15-year renewable energy purchase agreement with Microsoft Corporation. Under the terms of the agreement, Microsoft will purchase 150-MW of renewable energy generated by Canadian Utilities' newly acquired Forty Mile Wind Phase 1 Project in Alberta. The offtake from the Adelaide wind facility is also contracted under a long-term power purchase agreement.

This investment drives meaningful progress towards meeting our previously announced goal of owning, developing or managing more than 1,000-MW of renewable energy by 2030.

Central West Pumped Storage Hydro Project

In February 2021, Canadian Utilities announced an agreement to acquire the rights to develop the 325-MW Central West Pumped Storage Hydro project, located approximately 175-km west of Sydney, Australia. The project is in close proximity to significant renewable energy resources and will be integral in supporting the development of new renewable generation capacity in the state of New South Wales (NSW). In September 2022, a $9 million AUD recoverable grant was awarded by the NSW Government to help fund pre-investment activities. A final investment decision on project construction is expected in 2023.

Canadian Pacific Hydrogen Locomotive Project

In May 2022, Canadian Utilities announced an agreement with Canadian Pacific (CP) to provide engineering, procurement and construction services for two hydrogen production and refueling facilities in Calgary and Edmonton. The fuelling stations will be essential in bringing zero-emissions hydrogen locomotive propulsion into reality as part of CP's commitment to sustainable and responsible operations. The construction of these facilities will advance CP's innovative Hydrogen Locomotive Program, which has its sights set on building its first line-haul hydrogen-powered freight locomotive. Early stages of siting and construction has commenced, with production and supply of hydrogen expected to be provided to locomotives in 2023.

Suncor ATCO Heartland Hydrogen Hub (SAH3)

In May 2021, Canadian Utilities and Suncor Energy announced the decision to collaborate on early stage design and engineering of a potential clean hydrogen project. The project is currently progressing through early design and engineering phases, which will continue throughout 2023 ahead of the sanctioning decision currently expected as early as 2024.

Atlas Carbon Sequestration Hub (Atlas Hub)

To support Canadian Utilities' hydrogen strategy and the development of SAH3, as well as the Province of Alberta's carbon sequestration ambitions, Canadian Utilities and its partners are developing the Atlas Carbon Sequestration Hub. The Atlas Hub development has been proposed east of Edmonton by a partnership led by Shell Canada Limited, ATCO Energy Solutions Ltd., and Suncor Energy Inc.

On March 31, 2022, Atlas Hub was shortlisted for further evaluation by the Government of Alberta. Proponents have been invited to work with the government to further evaluate the suitability of each location for safely storing carbon from industrial emissions. If the evaluation demonstrates that the proposed projects can provide permanent storage, companies can work with the government on an agreement that provides them with the right to inject captured carbon dioxide. This agreement will also ensure proponents will provide open access to all emitters and affordable use of the hub. Canadian Utilities and its partners continue to progress development of Atlas Hub, which is expected to advance throughout 2023.

Calgary Solar Development Projects

In September 2021, Canadian Utilities announced it had acquired the development rights to build two solar projects, the Deerfoot and Barlow projects in Calgary, Alberta, with a combined capacity of 64-MW. In March 2022, Canadian Utilities entered into a 15-year power purchase agreement with Microsoft Corporation. Under the terms of the agreement, Microsoft will purchase all renewable energy generated by Canadian Utilities' 37-MW Deerfoot solar project in Calgary, Alberta. Once operational, the Deerfoot solar project will be one of the largest solar installations in a major urban centre in Western Canada.

Barlow solar site, Calgary, Alberta, Canada

Both the Barlow and the Deerfoot projects have received all major permits. Construction started on Barlow in June 2022 and Deerfoot in September 2022. The Barlow Solar Project achieved its in-service date with the Alberta Electric System Operator along with exporting power to the grid with the energization of the first array of solar panels in December 2022, with full commercial operations expected in the second quarter of 2023. Deerfoot is expected to commence energization in the third quarter of 2023, with full commercial operations expected in the fourth quarter of 2023.

Empress Solar Development Project

In September 2021, Canadian Utilities announced that it had acquired the rights to the Empress Solar project, a 39-MW solar facility under development near Empress, Alberta. Electricity from this solar project may be sold through a contracted Power Purchase Agreement with any uncontracted electricity sold into the Alberta power market. The project will provide enough renewable electricity to power more than 11,000 homes. Construction began late in the third quarter of 2022. Commercial operation is expected to commence in the fourth quarter of 2023.

Natural Gas Liquids Storage

In the fourth quarter of 2019, Canadian Utilities secured a long-term contract for the construction and operation of a fifth storage cavern and associated pipeline at the ATCO Heartland Energy Centre, near Fort Saskatchewan, Alberta. Construction of the facilities were completed in the third quarter of 2022 and commenced commercial operations in the fourth quarter of 2022.

Subsequent Event

Osborne Power Purchase Agreement Extension

Subsequent to year-end, on February 3, 2023, Canadian Utilities executed an extension to the current PPA with Origin Energy Electricity Limited for the Osborne electricity cogeneration facility in South Australia. The extension is for a period of three years, commencing on January 1, 2024, with a further one year option. The terms of the extension are similar to the current tolling arrangement with increased flexibility and dispatch capability for the customer.

CORPORATE & OTHER

Canadian Utilities' Corporate & Other segment includes Rümi, Blue Flame Kitchen 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

	Three Months Ended December 31			Year Ended December 31		
($ millions)	**2022**	**2021**	**Change**	**2022**	**2021**	**Change**
Canadian Utilities Corporate & Other [1]	**(14)**	(18)	4	**(94)**	(77)	(17)

(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 fourth quarter of 2022 were $4 million higher compared to the same period in 2021 mainly due to the timing of certain expenses and higher interest income earned, partially offset by increased financing costs from a new preferred dividend issuance in December 2021.

Canadian Utilities' Corporate & Other adjusted earnings in the full year of 2022 were $17 million lower compared to the same period in 2021 mainly due to increased financing costs from a new preferred share issuance in December 2021.

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, which will be published in May 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. More detailed information and progress towards these targets will be found in the 2022 Sustainability Report. 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 (GRI) Standards. Our reporting is also guided by the Sustainability Accounting Standards Board (SASB) and the Financial Stability Board's Task Force on Climate-related Financial Disclosures' (TCFD) recommendations.

The 2022 Sustainability Report, ESG Datasheet, Corporate Governance, materiality assessment, and additional details and other disclosures will be available in May 2023 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.

ENERGY TRANSITION HIGHLIGHTS AND PERFORMANCE

As our portfolio of assets and businesses evolve, so too does our environmental footprint. Since 2005, we have significantly decarbonized our portfolio.

Energy Transition Highlights

To support the energy transition, we continue to explore and implement opportunities in cleaner fuels, renewable energy, energy infrastructure and storage, and energy efficiency. Below are examples of 2022 energy transition developments, with further details included in the Business Unit Performance section in this MD&A:

- Suncor ATCO Heartland Hydrogen Hub;
- Canadian Pacific Hydrogen Locomotive Project;
- Clean Energy Innovation Hub & Hydrogen Refuelling Station, Australia;
- Empress and Calgary Solar Development Projects;
- Central West Pumped Storage Hydro project, Australia;
- Suncor Energy Inc. Renewable Energy Portfolio Acquisition; and
- Atlas Carbon Sequestration Hub.

POLICY/REGULATORY UPDATE

We actively and constructively work with all levels of government to advocate for enabling policy and regulation, and to identify barriers that impede cost-effective, economy-wide decarbonization. We participate in a wide number of discussions, and the following are examples of where we focus our efforts on policies or regulations most relevant to our existing or planned projects.

Canadian Net-Zero Emissions Accountability Act

As required under its *Canadian Net-Zero Emissions Accountability Act* enacted in March 2022, the Government of Canada released its 2030 Emissions Reduction Plan: Canada's Next Steps for Clean Air and a Strong Economy. The plan outlines a sector-by-sector approach for Canada to reduce emissions by 40 per cent below 2005 levels by 2030. The plan includes specific sector reduction intentions such as:

- **Clean Electricity Regulation** – intention to have a net-zero electricity grid by 2035.
- **Green Building Strategy** – reducing direct residential, commercial and institutional building emissions by 37 per cent from 2005 levels by 2030.
- **Methane Reductions** – reducing oil and gas methane emissions by at least 75 per cent below 2012 levels by 2030.
- **Oil and Gas Cap** – reducing oil and gas sector emissions by 31per cent from 2005 levels by 2030.
- **Zero Emissions Vehicle Mandate** – setting Zero Emission Vehicle sales targets for manufacturers and importers of new passenger cars, SUVs, and pickup trucks requiring that at least 20 per cent of new vehicles sold in Canada to be zero emission by 2026, at least 60 per cent by 2030, and 100 per cent by 2035.

Consultations have been ongoing on most of the above mentioned reduction intentions, with plans to introduce regulations for some of the initiatives in 2023.

Government of Canada Clean Fuel Regulations (CFR)

The CFR were published in the Canada Gazette Part II on July 6, 2022, with reduction requirements coming into force on July 1, 2023. The CFR will require gasoline and diesel suppliers to reduce carbon intensity by approximately 13 per cent by 2030 and will create opportunities to generate credits through clean fuels production and fuel switching.

Government of Canada Carbon Capture, Utilization and Storage (CCUS) Investment Tax Credit (ITC)

The Canadian Federal Budget 2022 established a refundable ITC for CCUS. For 2022-2030, the CCUS ITC is 60 per cent for investments in equipment for capturing carbon from air, 50 per cent for investments that capture and store carbon, and 37.5 per cent for investments in equipment for storage, transportation, and use. In August 2022, the

Government of Canada released for public comments draft legislative proposals to the *Income Tax Act* and the Income Tax Regulations related to the ITC for CCUS.

Government of Canada 2022 Fall Economic Statement (FES)

In November 2022, the FES was announced, introducing a series of measures designed to grow the Canadian economy — both in the short and medium term. Key energy policies include:

- An Investment Tax Credit for Clean Technologies – a refundable tax credit equal to 30 per cent of the capital cost of investments in clean technologies.
- An Investment Tax Credit for Clean Hydrogen – an investment tax credit to support investments in clean hydrogen production.
- Canada Growth Fund – a fund that will help to attract private capital to invest in building a thriving, sustainable Canadian economy with thousands of new, good-paying jobs.

In August 2022, the US passed an energy bill called the *Inflation Reduction Act (IRA)*. It offers extensive financial supports to firms that locate their production in the United States—from electric vehicle battery production, to hydrogen, to biofuels, and beyond. The Canadian government has stated its commitment to respond to the IRA and ensure that Canada remains a first-choice destination for businesses to invest and create jobs. It has launched consultations to seek input on how best to design and implement the initiatives mentioned above.

Alberta Utilities Commission Hydrogen Inquiry Report

Following the release of its Hydrogen Roadmap, the Government of Alberta directed the AUC to inquire into and report to the Minister of Energy on matters relating to hydrogen blending into natural gas distribution systems. On September 6, 2022, the AUC publicly released the Hydrogen Inquiry Report, which provides further information on hydrogen blending into natural gas distribution systems. It discusses the role of regulated natural gas distribution systems and unregulated competitive markets for up to 20 per cent blending by volume, impacts of blending hydrogen into low-pressure natural gas distribution systems, the safe and reliable delivery of blended hydrogen, and regulatory ambiguity. While the AUC report represents a positive step forward, it is a consultative inquiry and changes to legislation must be passed through legislature.

Government of Alberta *Bill 22 Electricity Statutes (Modernizing Alberta's Electricity Grid) Amendment Act, 2022*

Bill 22, which received royal assent on May 31, 2022, enables the integration of energy storage (batteries) into Alberta's interconnected electric system and will include the development of new transmission regulations.

Carbon Pricing/Output-Based Pricing Systems

In January 2022, the carbon price in Canada increased from $40 to $50 per tonne. The Government of Canada's plan on climate change proposes to increase the carbon price by $15 per tonne each year starting in 2023, rising to $170 per tonne by 2030. As a result, beginning April 2023, the minimum national carbon price in Canada is expected to be $65 per tonne.

In December 2022, the Government of Alberta introduced amendments to Technology Innovation and Emissions Reduction (TIER) Regulation to help bring the regulation in line with the minimum federal standards, ensuring the continuation of the provincial emissions trading and carbon pricing system in Alberta. These changes come after a stakeholder consultation process which was introduced in June 2022. A significant change includes the creation of sequestration credits and the recognition of captured tonnes under the federal Clean Fuel Regulation. Other changes include alignment with the federal carbon pricing, increases to benchmark tightening, reduced periods to use created credits, increases to credit limit use and the inclusion of flaring for aggregated oil and gas facilities.

In Australia, under the National Greenhouse and Energy Reporting scheme, a safeguard mechanism applies to facilities with direct covered emissions of more than 100,000 tonnes of carbon dioxide equivalent per year and affects our natural gas-fired power generation facilities. These facilities are required to keep their net emissions at or below emissions baselines set by the Clean Energy Regulator or surrender Australia Carbon Credit Units to offset their emissions and stay below their baseline.

Government of Australia Climate Change Bill 2022

In July 2022, the Australian Government introduced the Climate Change Bill 2022 legislating the nation's commitment to reduce greenhouse gases by 43 per cent below 2005 levels by 2030, and net zero by 2050. The legislation strengthens accountability through an annual statement and tasks the independent Climate Change Authority to provide advice on Australia's progress towards these targets, and on what Australia's future targets should be.

Government of Australia National Gas Rules

In October 2022, it was agreed to amend the National Gas Law and Regulations to bring hydrogen blends, biomethane and other renewable gases under the national gas regulatory framework. This work supports the development of the domestic hydrogen and biomethane industries by removing barriers for producers to access infrastructure and markets. It also ensures consumers are protected as Australia's energy system transitions in line with net zero goals.

CLIMATE CHANGE RESILIENCY

We carefully manage climate-related risks, including preparing for, and responding to, extreme weather events through activities such as proactive route and site selection, asset hardening, regular maintenance, and insurance. The Company follows regulated engineering codes and continues to evaluate ways to create greater system reliability and resiliency. When planning for capital investment or acquiring assets we consider site specific climate and weather factors, such as flood plain mapping and extreme weather history.

In our Electricity Transmission and Distribution operations, grid resiliency initiatives focus on prevention, protection, and reaction. Prevention includes minimizing operational risks and ensuring system adequacy through system planning and coordination. Protection is focused on improving grid resiliency through activities such as retrofitting and vegetation management to reduce incidents that result in outages. Wildfire Management Plans include requirements to conduct annual patrols of all transmission power lines in forest protection areas. Finally, we look to restore services in the shortest possible timeframe through grid modernization, adequate contingency planning and dispatch.

In our natural gas transmission and distribution businesses, the majority of the pipeline network is underground, making it less susceptible to extreme weather events. We work with regulators to increase resiliency where appropriate through asset improvement projects. We have also mapped and continue to regularly inspect pipeline water crossings.

We have streamlined our Crisis Response and Emergency Preparedness systems, and we continuously improve our ability to rapidly mobilize and effectively respond to crises globally. We incorporate learnings from responding to extreme weather events which enables us to continue to strengthen our emergency response capabilities.

In addition, our global property insurance provider conducted an assessment of our global locations (excluding electricity and natural gas transmission and distribution) and determined that Canadian Utilities is in the top quartile for climate change resiliency. This means that, when compared to other global customers, our score is in the lowest climate risk quartile. We continue to evaluate priority investments and actions in 2023 and beyond to further reduce climate change physical risks to assets.

CLIMATE CHANGE CHALLENGES AND OPPORTUNITIES

While climate-related challenges and opportunities are integrated throughout our strategy and risk management processes, we understand that specifically disclosing climate-related information aligned with the TCFD recommendations is also useful for the investment community.

In addition to the material risks described in the Business Risks and Risk Management section of this MD&A, the following table provides further information on how we address specific climate-related challenges and opportunities.

Category/Driver		Challenges	Opportunities	Mitigation Options/ Measures
Transitional	**Policy/Regulatory**	Operations in several jurisdictions subject to emissions limiting regulations Aggressive shifts in policy which do not allow for transition in an effective, affordable manner	Continued fuel switching to lower-emitting options Coal-to-gas electricity generation conversions by other companies present opportunities for increased demand for natural gas transmission infrastructure investment in the near to medium term Electricity grid modernization Hydrogen economy development	Active participation in policy development, industry groups, and regulatory discussions Business diversification Hydrogen research and development
	Market	Changes in carbon policy, costs of operations, and commodity prices Changing customer behaviour	Increasing demand for lower-emitting technologies Hydrogen market development Distributed energy solutions	Participation in carbon markets Business diversification
	Technology	Replacement of current products/services with lower-emitting options Prosumer movement may affect energy load profiles in the future	A transition to lower-emitting energy systems provides opportunities to utilize expertise in: generation, energy storage, integration and delivery of new energy sources including hydrogen, renewable natural gas, EV networks, and transmission and distribution infrastructure to ensure energy network reliability and security	Providing a suite of lower-emitting technology solutions so our customers can pick the right solutions for their unique situation
	Reputational	Public perception of carbon risk	Increase in demand for trusted long-term partners to deliver lower-emitting solutions	Transparent reporting Authentic engagement and collaboration
Physical	**Physical**	Extreme weather events Long-term changes in temperature and weather patterns	Climate change mitigation and adaptation Rapidly deployable structures and logistics services	Climate change resiliency efforts Emergency Response & Preparedness plans and training

OTHER EXPENSES AND INCOME

A financial summary of other consolidated expenses and income items for the fourth quarter and full year of 2022 and 2021 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.

	Three Months Ended December 31			Year Ended December 31		
($ millions)	**2022**	**2021**	**Change**	**2022**	**2021**	**Change**
Operating costs	**673**	553	120	**2,273**	1,982	291
Depreciation, amortization and impairment	**174**	138	36	**642**	651	(9)
Earnings from investment in joint ventures	**22**	22	—	**76**	58	18
Net finance costs	**92**	112	(20)	**371**	402	(31)
Income tax expense	**43**	69	(26)	**199**	138	61

OPERATING COSTS

Operating costs, which are total costs and expenses less depreciation, amortization and impairment, increased by $120 million and $291 million in the fourth quarter and full year of 2022 compared to the same periods in 2021. Higher operating costs were mainly due to higher energy costs and higher unrealized and realized losses on derivative financial instruments in ATCO Energy, higher flow-through costs in the Alberta Utilities, costs related to the AUC enforcement proceeding in Electricity Transmission, and increased fuel costs at Energy Infrastructure's Carbon and Alberta Hub natural gas storage facilities. Higher operating costs compared to the same periods in 2021 were partially offset by the Information Technology (IT) transition costs incurred in 2021 for the early termination of the master services agreements with Wipro Ltd. (Wipro).

DEPRECIATION, AMORTIZATION AND IMPAIRMENT

Depreciation, amortization and impairment increased by $36 million in the fourth quarter of 2022 compared to the same period in 2021 mainly due to the recognition of project cost recoveries in 2021 related to the conclusion of an international project that had previously been impaired.

Depreciation, amortization and impairment decreased by $9 million in the full year of 2022 compared to the same period in 2021 mainly due to the impairment of assets in 2021 in the Energy Infrastructure segment as part of the continued assessment of our investment portfolio. This was partially offset by the recognition of project cost recoveries in 2021 related to the conclusion of an international project that had previously been impaired, the acquisition of the Pioneer Pipeline in the Natural Gas Transmission business in June 2021, and ongoing capital investment in the regulated businesses.

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 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 fourth quarter of 2022 were comparable to the same period in 2021.

Earnings from investment in joint ventures increased by $18 million in the full year of 2022 compared to the same period in 2021. Higher earnings were generated as a result of LUMA Energy's ongoing operations as compared to continued transition work in the first half of 2021, and the impact of foreign exchange rates. Earnings in 2022 were also higher due to the 2022 reversal of an impairment of an investment previously recognized in 2021 in the Energy Infrastructure segment.

NET FINANCE COSTS

Net finance costs decreased by $20 million and $31 million in the fourth quarter and full year of 2022 compared to the same periods in 2021 mainly due to higher interest income from cash investments.

INCOME TAX EXPENSE

Income taxes were lower by $26 million in the fourth quarter of 2022 compared to the same period in 2021 mainly due to lower IFRS earnings before income taxes and a 2021 write down of deferred tax assets in ATCO Mexico.

Income taxes were higher by $61 million in the full year of 2022 compared to the same period in 2021 mainly due to increased IFRS earnings before income taxes.

LIQUIDITY AND CAPITAL RESOURCES

Our financial position is supported by our Regulated Utilities and our portfolio of Energy Infrastructure 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.

We consider it prudent to maintain enough liquidity to fund approximately one full year of cash requirements to preserve strong financial flexibility. 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 current credit ratings assigned to Canadian Utilities Limited, CU Inc. and ATCO Gas Australia Pty Ltd.

	DBRS	S&P	Fitch
Canadian Utilities Limited			
Issuer	A	BBB+	A-
Senior unsecured debt	A	BBB	A-
Commercial paper	R-1 (low)	A-1 (low)	F2
Preferred shares	PFD-2	P-2 (low)	BBB
CU Inc.			
Issuer	A (high)	A-	A-
Senior unsecured debt	A (high)	A-	A
Commercial paper	R-1 (low)	A-1 (low)	F2
Preferred shares	PFD-2 (high)	P-2	BBB+
ATCO Gas Australia Pty Ltd (1)			
Issuer and senior unsecured debt	N/A	BBB+	N/A

(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 March 2, 2022, S&P Global Ratings revised its issuer rating on Canadian Utilities Limited from 'A-' with a negative outlook to 'BBB+' with a stable outlook. S&P Global Ratings affirmed Canadian Utilities subsidiary CU Inc.'s 'A-' issuer credit rating and stable outlook, reflecting S&P's view that CU Inc. is an insulated entity to Canadian Utilities Limited.

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

On March 24, 2022, S&P Global Ratings affirmed Canadian Utilities subsidiary ATCO Gas Australia Pty Ltd's 'BBB+' issuer credit rating and stable outlook.

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

On August 4, 2022, S&P Global Ratings affirmed Canadian Utilities subsidiary CU Inc.'s 'A-' long-term issuer credit rating and stable outlook. On August 11, 2022, S&P Global Ratings affirmed its 'BBB+' long-term issuer credit rating and stable outlook on Canadian Utilities Limited.

On September 12, 2022, DBRS Limited affirmed its 'A' long-term corporate credit rating and stable outlook on Canadian Utilities Limited.

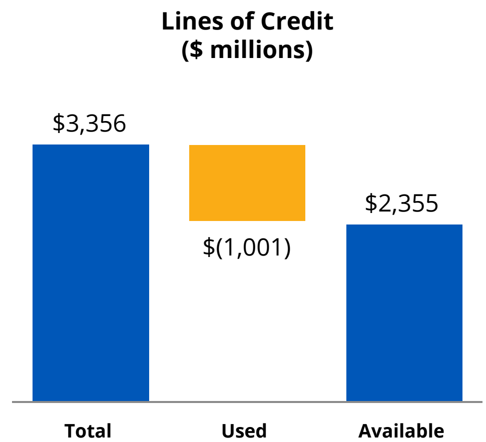
LINES OF CREDIT

At December 31, 2022, Canadian Utilities and its subsidiaries had the following lines of credit.

($ millions)	**Total**	**Used**	**Available**
Long-term committed	**2,718**	744	1,974
Uncommitted	**638**	257	381
Total	**3,356**	1,001	2,355

Of the $3,356 million in total lines of credit, $638 million was in the form of uncommitted credit facilities with no set maturity date. The other $2,718 million in credit lines was committed, with maturities between 2024 and 2026, and may be extended at the option of the lenders.

Of the $1,001 million in lines of credit used, $656 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 for the issuance of letters of credit.



CONSOLIDATED CASH FLOW

At December 31, 2022, the Company's cash position was $698 million, a decrease of $52 million compared to December 31, 2021. Major movements are outlined in the following table:

			Year Ended December 31
($ millions)	**2022**	**2021**	**Change**
Cash flows from operating activities	**2,140**	1,718	422
Net issue of long-term debt	**229**	294	(65)
Net (repayment) issue of short-term debt	**(206)**	206	(412)
Cash used for capital investment [(1)]	**(1,394)**	(1,338)	(56)
Issue of equity preferred shares	**—**	201	(201)
Redemption of equity preferred shares by subsidiary company	**—**	(110)	110
Dividends paid on equity preferred shares	**(75)**	(65)	(10)
Dividends paid to non-controlling interests	**(7)**	(7)	—
Dividends paid to Class A and Class B share owners	**(460)**	(476)	16
Interest paid	**(401)**	(385)	(16)
Other	**122**	(66)	188
Decrease in cash position	**(52)**	(28)	(24)

(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.

Cash Flows from Operating Activities

Cash flows from operating activities were $608 million and $2,140 million in the fourth quarter and full year of 2022, $98 million and $422 million higher than the same periods in 2021. The increase in the fourth quarter was mainly due to timing of payables. Cash flows from operating activities were also higher in the full year of 2022 mainly due to the recovery of the 2021 deferral of customer rate increases in Electricity Distribution and Natural Gas Distribution.

Cash Used for Capital Investment [1] and Capital Expenditures

Total capital investment and capital expenditures of $453 million and $452 million in the fourth quarter of 2022 were $27 million and $118 million higher compared to the same period in 2021 mainly due to ongoing capital investment in the Regulated Utilities. The capital investment increase in 2022 is partially offset by the acquisition of the Alberta Hub natural gas storage facility in the Energy Infrastructure business in December 2021.

Total capital investment of $1,394 million in the full year of 2022 was $56 million higher compared to the same period in 2021 mainly due to increased construction activities within the Energy Infrastructure segment and ongoing capital investment in the Regulated Utilities. The full year 2022 capital investment increase was partially offset by the 2021 acquisition of the Pioneer Pipeline and the completed construction of the Calgary Northwest Connector in 2021 in the Natural Gas Transmission business, and the acquisition of the Alberta Hub natural gas storage facility in the Energy Infrastructure business in December 2021.

Total capital expenditures of $1,383 million in the full year of 2022 were $156 million higher compared to the same period in 2021 mainly due to the factors outlined above with the exception of the 2021 Alberta Hub acquisition as this business combination was excluded from capital expenditures.

Capital investment and capital expenditures for the fourth quarter and full year of 2022 and 2021 are shown in the following table.

	Three Months Ended December 31			Year Ended December 31		
($ millions)	**2022**	**2021**	**Change**	**2022**	**2021**	**Change**
Utilities						
Electricity	**199**	92	107	**566**	350	216
Natural Gas	**185**	159	26	**571**	747	(176)
	384	251	133	**1,137**	1,097	40
Energy Infrastructure	**64**	80	(16)	**234**	120	114
CU Corporate & Other	**4**	3	1	**12**	10	2
Canadian Utilities Total Capital Expenditures (1) (2)	**452**	334	118	**1,383**	1,227	156
Capital Expenditures in joint ventures						
Utilities						
Electricity	**1**	2	(1)	**5**	5	—
Energy Infrastructure	**—**	6	(6)	**6**	22	(16)
Business Combinations						
Energy Infrastructure	**—**	84	(84)	**—**	84	(84)
Canadian Utilities Total Capital Investment (3)	**453**	426	27	**1,394**	1,338	56

(1) Includes additions to property, plant and equipment, intangibles and $4 million and $14 million (2021 - $(3) million and $6 million) of capitalized interest during construction for the fourth quarter and full year of 2022. The $(3) million of capitalized interest during construction recognized in the fourth quarter of 2021 relates to a project cancellation.

(2) Includes $26 million and $178 million for the fourth quarter and full year of 2022 (2021 - $38 million and $169 million) of capital expenditures, mainly in the Utilities, 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.

[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.*

Base Shelf Prospectus - CU Inc. Debentures

On September 16, 2020, CU Inc. filed a base shelf prospectus that permitted it to issue up to an aggregate of $1.2 billion of debentures over the 25-month life. The prospectus expired on October 17, 2022 and the aggregate issuances of the debentures were $820 million.

Debenture Issuances

On September 14, 2022, CU Inc. issued $210 million of 4.773 per cent 30-year debentures. Proceeds from the issue were used to finance capital expenditures, and for other general corporate purposes.

On June 3, 2022, Canadian Utilities issued $250 million of 4.851 per cent 30-year debentures. Proceeds from this issuance were used to repay existing indebtedness, and for other general corporate purposes.

Other Debt Issuance

On December 8, 2022, ATCO Energy Solutions Ltd. and ATCO Power (2010) Ltd., wholly owned subsidiaries of Canadian Utilities Limited, entered into a $250 million extendible credit agreement maturing in December 2025 with a syndicate of lenders, as well as an aggregate $100 million of uncommitted credit facilities with no set maturity date.

Debenture Repayments

On April 1, 2022, CU Inc. repaid $125 million of 9.92 per cent debentures.

On November 9, 2022, Canadian Utilities repaid $200 million of 3.122 per cent debentures.

Preferred Shares

On May 24, 2022, Canadian Utilities reset the quarterly dividend rate on its Series Y Preferred Shares for the five year period from and including June 1, 2022 to May 31, 2027. The fixed dividend will be paid as and when declared by the Board of Directors of Canadian Utilities based on an annual dividend rate of 5.196 per cent.

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 $113 million net of dividends reinvested in the fourth quarter of 2022 and $460 million in the full year of 2022.

On January 12, 2023, the Board of Directors declared a first 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.

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 July 29, 2021, we commenced a normal course issuer bid to purchase up to 3,930,623 outstanding Class A shares. The bid expired on July 28, 2022. No shares were purchased.

Dividend Reinvestment Plan (DRIP)

On January 13, 2022, the Company reinstated its dividend reinvestment program (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 fourth quarter of 2022, Canadian Utilities issued 202,314 Class A shares under the DRIP using re-invested dividends of $8 million.

In the full year of 2022, Canadian Utilities issued 527,471 Class A shares under the DRIP using re-invested dividends of $20 million.

SHARE CAPITAL

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

At February 28, 2023, we had outstanding 201,430,327 Class A shares, 68,479,365 Class B shares, and options to purchase 1,992,750 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, 10,774,500 Class A shares were available for issuance at December 31, 2022. 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 March 31, 2021 through December 31, 2022.

($ millions, except for per share data)	Q1 2022	Q2 2022	Q3 2022	Q4 2022
Revenues	1,110	933	898	**1,107**
Earnings attributable to equity owners of the Company	227	151	109	**145**
Earnings attributable to Class A and B shares	209	134	89	**125**
Earnings per Class A and Class B share *($)*	0.78	0.50	0.33	**0.46**
Diluted earnings per Class A and Class B share *($)*	0.78	0.50	0.32	**0.46**
Adjusted earnings per Class A and Class B share *($)*	0.81	0.51	0.45	**0.66**
Adjusted earnings (loss)				
Utilities [(1)]	234	156	135	**189**
Energy Infrastructure	8	10	12	**5**
Corporate & Other and Intersegment Eliminations	(23)	(30)	(27)	**(14)**
Total adjusted earnings [(1)]	219	136	120	**180**

($ millions, except for per share data)	Q1 2021	Q2 2021	Q3 2021	Q4 2021
Revenues	907	790	790	1,028
Earnings attributable to equity owners of the Company	141	5	71	176
Earnings (loss) attributable to Class A and Class B shares	124	(11)	55	160
Earnings (loss) per Class A and Class B share *($)*	0.46	(0.04)	0.20	0.59
Diluted earnings (loss) per Class A and Class B share *($)*	0.46	(0.04)	0.20	0.59
Adjusted earnings per Class A and Class B share *($)*	0.70	0.43	0.33	0.71
Adjusted earnings (loss)				
Utilities [(1)]	201	124	104	206
Energy Infrastructure	10	7	7	4
Corporate & Other and Intersegment Eliminations	(20)	(16)	(23)	(18)
Total adjusted earnings [(1)]	191	115	88	192

(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

UTILITIES [(1)]

In the first quarter of 2021, adjusted earnings in the Utilities were higher than the same period in 2020. Higher earnings were mainly due to cost efficiencies and continued growth in the regulated rate base, earnings from International Electricity Operations, and inflation indexing and foreign exchange adjustments in International Natural Gas Distribution.

In the second quarter of 2021, adjusted earnings in the Utilities were higher than the same period in 2020. Higher earnings were mainly due to contributions from International Electricity Operations, a higher inflation rate in International Natural Gas Distribution, and cost efficiencies, partially offset by the impact of the Electricity Transmission 2018-2019 General Tariff Application (GTA) Compliance Filing decision received in the second quarter of 2021.

[(1)] *Additional information regarding this total of segments measure 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.*

In the third quarter of 2021, adjusted earnings in the Utilities were higher than the same period in 2020. Higher earnings were mainly due to higher earnings from International Electricity Operations, inflation indexing in International Natural Gas Distribution, and cost efficiencies within the Electricity Distribution business.

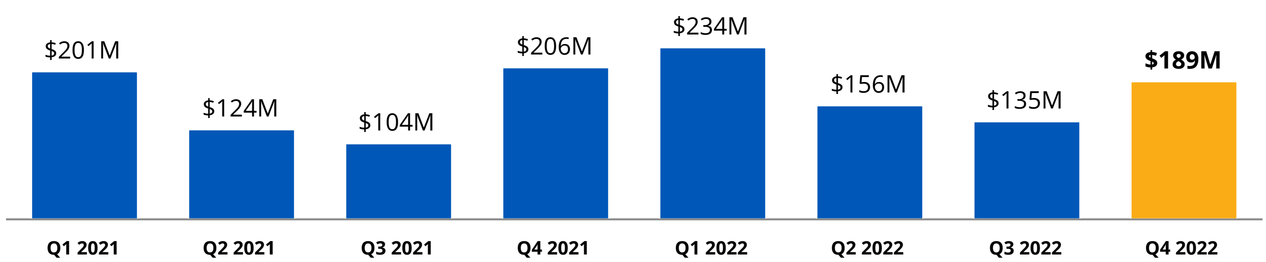
In the fourth quarter of 2021, adjusted earnings in the Utilities were higher than the same period in 2020 mainly due to higher earnings from International Electricity Operations, and inflation indexing in International Natural Gas Distribution. Higher earnings were partially offset by timing of operating costs.

In the first quarter of 2022, adjusted earnings in the Utilities were higher than the same period in 2021. Higher earnings were mainly due to timing of operating costs, cost efficiencies, growth in rate base, and earnings from International Electricity Operations.

In the second quarter of 2022, adjusted earnings in the Utilities were higher than the same period in 2021. Higher earnings were mainly due to the impact of inflation indexing on rate base in the International Natural Gas Distribution business, timing of operating costs, cost efficiencies, and growth in rate base. Higher adjusted earnings were also due to the impact of the Electricity Transmission 2018-2019 GTA Compliance Filing decision received from the AUC in the second quarter of 2021.

In the third quarter of 2022, adjusted earnings in the Utilities were higher than the same period in 2021. Higher earnings were mainly due to the impact of inflation indexing on rate base in the International Natural Gas Distribution business, timing of operating costs, cost efficiencies, and growth in rate base. Higher earnings were also due to the impact of the Electricity Transmission 2020-2022 GTA Compliance Filing decision received from the AUC in the third quarter of 2021.

In the fourth quarter of 2022, adjusted earnings in the Utilities were lower than the same period in 2021 mainly due to timing of cost recoveries in International Electricity Operations and the timing of operating costs in Electricity Distribution, Natural Gas Distribution and International Electricity Operations.



ENERGY INFRASTRUCTURE

In the first quarter of 2021, Energy Infrastructure adjusted earnings were higher than the same period in 2020 mainly due to increased demand for natural gas storage services and recovered business development costs.

In the second quarter of 2021, Energy Infrastructure adjusted earnings were higher than the same period in 2020 mainly due to recovered business development costs, partially offset by lower demand for natural gas storage services.

In the third quarter of 2021, Energy Infrastructure adjusted earnings were higher than the same period in 2020 mainly due to increased demand for natural gas storage services and recovered business development costs.

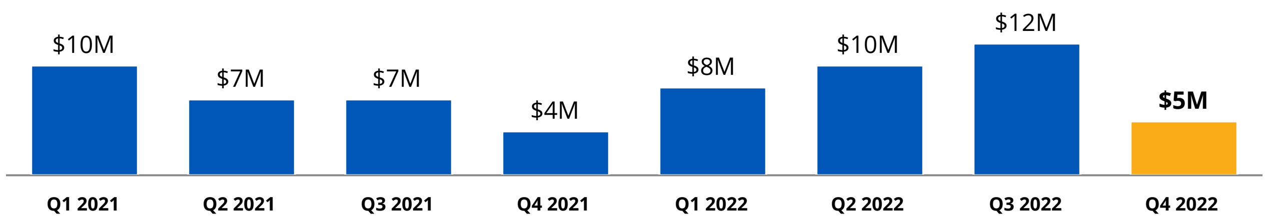
In the fourth quarter of 2021, Energy Infrastructure adjusted earnings were lower than the same period in 2020 mainly due to the costs associated with the purchase of the Alberta Hub natural gas storage facility, Central West Pumped Hydro development costs, non-recurring recoveries in 2020, and lower demand for natural gas storage services.

In the first quarter of 2022, Energy Infrastructure adjusted earnings were lower than the same period in 2021 mainly due to recovered business development costs in 2021, project development costs incurred in 2022, and unfavourable movements in the Australian foreign exchange rate, partially offset by earnings from the Alberta Hub natural gas storage facility acquired in December 2021.

In the second quarter of 2022, Energy Infrastructure adjusted earnings were higher than the same period in 2021 mainly due to earnings from the Alberta Hub natural gas storage facility acquired in December 2021 and an insurance recovery related to the Karratha facility in Australia.

In the third quarter of 2022, Energy Infrastructure adjusted earnings were higher than the same period in 2021 mainly due to earnings from the Alberta Hub natural gas storage facility acquired in December 2021, and higher power pricing at the Old Man River hydro facility, partially offset by higher project development costs incurred in 2022, largely in Australia.

In the fourth quarter of 2022, Energy Infrastructure adjusted earnings were higher than the same period in 2021 mainly due to earnings from the Alberta Hub natural gas storage facility acquired in December 2021, partially offset by higher project development costs incurred in 2022, largely in Australia.



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 Master Services Agreements (MSA) for Managed IT Services
    - In the fourth quarter of 2020 and first quarter of 2021, the Company signed MSAs with IBM Canada Ltd. (subsequently novated to Kyndryl Canada Ltd.) and IBM Australia Limited (IBM), respectively, to provide managed IT services. These services were previously provided by Wipro under ten-year MSAs expiring in December 2024. The Company recognized onerous contract provisions relating to the Wipro MSAs of $55 million and $4 million (after-tax) in the fourth quarter of 2020 and first quarter of 2021, respectively.
    - 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 second quarter of 2021, impairments and other costs not in the normal course of business of $65 million (after-tax) were recorded. The Company incurred $54 million of these costs in Mexico, related mainly to its Veracruz hydro facility within its Energy Infrastructure segment. The charge reflected an adverse arbitration decision, changes in market regulations, ongoing political uncertainty, and a challenging operating environment, resulting in an impairment of the carrying value of the assets. Other costs recorded were individually immaterial.
- 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.
- 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 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.

- 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 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 entered into a share purchase agreement to increase DII's ownership interest in Northland Utilities Enterprises Ltd. 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 Energy Infrastructure'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.

BUSINESS RISKS AND RISK MANAGEMENT

The Board of Directors is responsible for understanding the principal risks of the businesses in which the Company is engaged. The Board also must achieve a prudent balance between risks incurred and the potential return to share owners. It must confirm controls are in place that effectively monitor and manage those risks for the Company's long-term viability.

The Board has an Audit & Risk Committee, which reviews significant risks associated with future performance and growth. This committee is responsible for confirming that management has procedures in place to mitigate identified risks.

We have an established enterprise risk management process that allows us to identify and evaluate our risks by both severity of impact and probability of occurrence. Materiality thresholds are reviewed annually by the Audit & Risk Committee. Non-financial risks that may have an impact on the safety of our employees, customers or the general public and reputation risks are also evaluated. The following table outlines our current significant risks and associated mitigations.

Business Risk: Capital Investment			
Businesses Impacted:		**Associated Strategies:**	
• All businesses		• Growth	• Financial Strength

Description & Context

The Company is subject to the normal risks associated with major capital projects, including cancellations, delays and cost increases. As it relates to the Company's energy transition investments, the Company faces additional risks including policy certainty, pace of energy transition, commodity and environmental attribute price risk and climate risk.

Risk Management Approach

The Company attempts to reduce the risks of project delays and cost increases by careful project feasibility, development and management processes, procurement practices and entering into fixed price contracts when possible.

International Natural Gas Distribution's planned capital investment is approved by the regulator. Planned capital investments for the Alberta Utilities are based on the following significant assumptions: projects identified by the AESO will proceed as currently scheduled; the remaining planned capital investments are required to maintain safe and reliable service and meet planned growth in the Alberta Utilities' service areas; regulatory approval for capital projects can be obtained in a timely manner; and access to capital market financings can be maintained.

The Company reduces risks associated with policy certainty, pace of energy transition, commodity and environmental attribute price risk and climate-related risk by leveraging our competitive advantages and assigning clear accountability and leadership for executing and realizing capital investment. Planned capital investments for Energy Infrastructure are based on the following significant assumptions: a diversified approach to business development focused on multiple pillars (energy storage, clean fuels, renewables) and development in areas closest to economic feasibility; ensuring long-term assets are matched with appropriate customer offtake agreements with investment grade counterparties; pursuing projects in markets where fundamentals and competitive advantages enable us to be successful; and self-performing or working with Engineering, Procurement and Construction firms and partners to ensure construction activities are completed by parties with the competencies to ensure successful project delivery.

The Company believes these assumptions are reasonable.

Business Risk: Climate Change		
Businesses Impacted:	**Associated Strategies:**	
• All businesses	• Operational Excellence	• Innovation

Description & Context - Policy Risks

Canadian Utilities has operations in several jurisdictions subject to emission regulations, including carbon pricing, output-based performance standards, and other emission management policies. The Government of Alberta recently completed its review of the Technology Innovation and Emissions Reduction (TIER) Regulations and in December 2022, released the TIER Regulation Amendments which met equivalency with the federal Output-Based Pricing System.

Energy Infrastructure has pivoted its growth strategy to largely focus on energy transition assets. A lack of clarity on proposed regulations creates revenue uncertainty for these projects.

Risk Management Approach - Policy Risks

The Company's exposure is mitigated for the Regulated Utilities because GHG emission charges are generally recovered in rates. In addition, future requirements, such as upgrading equipment to further reduce methane emissions in the natural gas utilities, are expected to be included in rate base on a go-forward basis.

Energy Infrastructure is targeting investments that benefit from climate change. In addition, we are actively and constructively working with all levels of government as well as Indigenous communities to ensure ongoing communication and that the impacts and costs of proposed policy changes are identified and understood. Where appropriate, the Company is also working with its peers and industry associations to develop common positions and strategies.

Description & Context - Physical Risks

Physical risks associated with climate change may include an increase in extreme weather events such as heavy rainfall, floods, wildfires, extreme winds and ice storms, or changing weather patterns that cause ongoing impacts to seasonal temperatures. Assets across all of Canadian Utilities' businesses are exposed to extreme weather events.

Risk Management Approach - Physical Risks

The Company continues to carefully manage physical risks, including preparing for, and responding to, extreme weather events through activities such as proactive route and site selection, asset hardening, regular maintenance, and insurance. The Company follows regulated engineering codes, continues to evaluate ways to create greater system reliability and resiliency and, where appropriate, submits regulatory applications for capital expenditures aimed at creating greater system reliability and resiliency.

Prevention activities include Wildfire Management Plans and vegetation management at Electricity Transmission and Distribution operations. The majority of the Company's natural gas pipeline network is in the ground, making it less susceptible to extreme weather events.

The Company maintains in-depth emergency response measures for extreme weather events. When planning for capital investment or acquiring assets, we consider site specific climate and weather factors, such as flood plain mapping and extreme weather history. While we are also exposed to extreme weather events in Puerto Rico the risk is limited to operating activities as the Company does not own the transmission and distribution assets.

These are the material climate related risks. For more detailed information on additional climate-related risks please refer to the Sustainability, Climate Change and Energy Transition section of this MD&A.

Business Risk: Credit Risk	
Businesses Impacted:	**Associated Strategies:**
• All businesses	• Financial Strength

Description & Context

For cash and cash equivalents and accounts receivable and contract assets, credit risk represents the carrying amount on the consolidated balance sheet. Derivative and finance lease receivable credit risk arises from the possibility that a counterparty to a contract fails to perform according to the terms and conditions of that contract. The maximum exposure to credit risk is the carrying value of loans and receivables and derivative financial instruments.

Risk Management Approach

Cash and cash equivalents credit risk is reduced by investing in instruments issued by credit-worthy financial institutions and in federal government issued short-term instruments.

The Company minimizes other credit risks by dealing with credit-worthy counterparties, following established credit-approval policies, and requiring credit security, such as letters of credit.

Geographically, a significant portion of accounts receivable and contract assets are from the Company's operations in Alberta, followed by operations in Australia. The largest credit risk concentration is from the Alberta Utilities, which are able to recover an estimate for doubtful accounts through approved customer rates and to request recovery through customer rates for any material losses from the retailers beyond the retailer security mandated by provincial regulations.

Business Risk: Cybersecurity		
Businesses Impacted:	**Associated Strategies:**	
• All businesses	• Operational Excellence	• Innovation

Description & Context

The Company's reliance on technology, which supports its information and industrial control systems, is subject to potential cyber-attacks including unauthorized access of confidential information and outage of critical infrastructure.

Risk Management Approach

The Company has an enterprise wide cybersecurity program covering all technology assets. The cybersecurity program includes employee awareness, layered access controls, continuous monitoring, network threat detection, and coordinated incident response through a centralized Security Operations Centre. The Company's cybersecurity management is consolidated under a common, centralized organization structure to increase effectiveness and compliance across the entire enterprise.

Business Risk: Energy Commodity Price	
Businesses Impacted:	**Associated Strategies:**
• Retail Energy	• Financial Strength
• Energy Infrastructure	

Description & Context

Retail Energy's earnings are affected by short-term price volatility.

Energy Infrastructures' natural gas storage facility in Carbon, Alberta, and the Alberta Hub natural gas storage facility near Edson, Alberta are exposed to storage price differentials. The growth of Energy Infrastructure's renewable electricity business has increased exposure to merchant power markets.

Risk Management Approach

In conducting its business, the Company may use various instruments, including forward physical contracts, financial swaps, energy or power purchase agreements, and storage service contracts to manage the risks arising from fluctuations in commodity prices.

To manage its exposure to natural gas storage spreads the Company uses a combination of storage service contracts to lease space and to capture future storage spreads.

The Company enters into natural gas physical contracts and forward power swap contracts as the hedging instrument to manage the exposure to electricity and natural gas market price movements.

Under IFRS accounting, entering into hedging instruments may result in mark-to-market adjustments that are recorded as unrealized gains or losses on the income statement. Realized gains or losses are recognized in adjusted earnings and IFRS earnings when the commodity contracts are settled.

In addition, Retail Energy monitors forward curves in order to ensure it is not promoting product offerings that are unfavourable to the Company.

Business Risk: Financing	
Businesses Impacted:	**Associated Strategies:**
• All businesses	• Financial Strength

Description & Context

The Company's financing risk relates to the price volatility and availability of external financing to fund the capital expenditure program and refinance existing debt maturities. Financing risk is directly influenced by market factors. As financial market conditions change, these risk factors can affect the availability of capital and also the relevant financing costs.

Risk Management Approach

To address this risk, the Company manages its capital structure to maintain strong investment grade credit ratings which allow continued ease of access to the capital markets. The Company also considers it prudent to maintain sufficient liquidity to fund approximately one full year of cash requirements to preserve strong financial flexibility. This liquidity is generated by cash flows from operations and supported by appropriate levels of cash and available committed credit facilities.

Business Risk: Foreign Currency Exchange Rate Risk	
Businesses Impacted:	**Associated Strategies:**
• All businesses	• Financial Strength

Description & Context

The Company's earnings from, and carrying values of, its foreign operations are exposed to fluctuations in exchange rates. The Company is also exposed to transactional foreign exchange risk through transactions denominated in a foreign currency.

Risk Management Approach

In conducting its business, the Company may use forward contracts to manage the risks arising from known fluctuations in exchange rates. Such instruments are used only to manage risk and not for trading purposes. This foreign exchange impact is partially offset by foreign denominated financing and by hedging activities. The Company manages this risk through its policy of matching revenues and expenses in the same currency. When matching is not possible, the Company may utilize foreign currency forward contracts to manage the risk.

Business Risk: Interest Rate	
Businesses Impacted:	**Associated Strategies:**
• All businesses	• Financial Strength

Description & Context

The interest rate risk faced by the Company is largely a result of its long-term debt at variable rates as well as cash and cash equivalents. The Company also has exposure to interest rate movements that occur beyond the term of maturity of the fixed-rate investments.

Risk Management Approach

In conducting its business, the Company may use swap agreements to manage the risks arising from fluctuations in interest rates. All such instruments are used only to manage risk and not for trading purposes. The Company has converted certain variable rate long-term debt to fixed rate debt through interest rate swap agreements. At December 31, 2022, the Company had fixed interest rates, either directly or through interest rate swap agreements, on 99 per cent (2021 - 100 per cent) of total long-term debt. Consequently, the exposure to fluctuations in future cash flows, with respect to debt, from changes in market interest rates is limited. The Company's cash and cash equivalents include fixed rate instruments with maturities of generally 90 days or less that are reinvested as they mature.

Business Risk: Inflation Risk	
Businesses Impacted:	**Associated Strategies:**
• All businesses	• Financial Strength

Description & Context

Inflation has the potential to impact the economies and business environments that the Company operates in. Increased inflation and any economic conditions resulting from governmental monetary policy intended to reduce inflation may negatively impact demand for products and services and/or adversely affect profitability.

Risk Management Approach

The Company monitors the impacts of inflation on the procurement of goods and services and seeks to minimize its effects in future periods through pricing strategies, productivity improvements, and cost reductions. The majority of the impact on costs resulting from inflation is mitigated through the regulatory construct, long-term contractual terms, and pricing of short-term contractual sales. The Company maintains strong investment grade ratings, which helps mitigate the risk of higher interest costs, and the vast majority of the Company's outstanding debt carries fixed rate interest, which helps to alleviate the impact of increasing short-term interest rates.

Business Risk: Pandemic Risk		
Businesses Impacted:	**Associated Strategies:**	
• All businesses	• Growth	• Operational Excellence
	• Financial Strength	• Community Involvement

Description & Context

An outbreak of infectious disease, a pandemic or a similar public health threat, such as the COVID-19 pandemic, or a fear of any of the foregoing, could adversely impact the Company by causing operating, supply chain and project development delays and disruptions, inflation risk, labour shortages and shutdowns as a result of government regulation and prevention measures. These impacts would increase strain on employees and compromise levels of customer service, either of which could have a negative impact on the Company's operations.

Any deterioration in general economic and market conditions resulting from a public health threat could negatively affect demand for electricity and natural gas, revenue, operating costs, timing and extent of capital expenditures, results of financing efforts, or credit risk and counterparty risk; any of which could have a negative impact on the Company's business.

Risk Management Approach

Canadian Utilities' investments in essential services are largely focused on regulated utilities and long-term contracted businesses with strong counterparties, creating a resilient investment portfolio. Canadian Utilities has a comprehensive Pandemic Plan that is activated when a pandemic is declared. The plan includes travel restrictions, limited access to facilities, a direction to work from home whenever possible, physical distancing measures and other protocols (including the use of personal protective equipment while at a work premise). Additionally, the Company follows recommendations by local and national public health authorities across the globe to adjust operational requirements as needed to ensure a coordinated approach across Canadian Utilities.

Business Risk: Workforce Retention		
Businesses Impacted:	**Associated Strategies:**	
• All businesses	• Growth • Financial Strength	• Operational Excellence

Description and Context:

A low level of retention in a workforce, especially within critical roles, could result in a shortage of people that could hamper Company operations and may negatively impact meeting business objectives.

Risk Management Approach

Canadian Utilities' investment in our people provides an attractive environment that fosters retention. Canadian Utilities continuously reviews and enhances its people resourcing and management strategy. This includes enhancing ATCO's, Canadian Utilities' parent company, branding and highlighting our Company values, building strong partnerships with educational institutions to attract new graduates and co-operative education students, aligning total rewards of compensation, benefits, pension and employee share purchase programs with market, and delivering orientation and onboarding for cultural and strategy awareness. We promote and support the development of our people, complete succession and development planning annually with a significant focus on critical roles and skills, and provide leadership and individual development programs that are available for all leaders and employees. The annual performance management program facilitates discussions on annual goals, development plans and career planning.

To promote a culture of inclusiveness, actions taken include supporting a flexible work environment, and through a focus on Diversity, Equity and Inclusion (DE&I) with our DE&I Council and many committees along with our Well-being@ATCO programs, we continue to build an environment where people feel safe (physically and psychologically), have equal opportunity, and feel included. To understand more deeply the risks to retention, exit interviews are conducted and an annual employee engagement survey is conducted, of which 84 per cent of employees participated in 2022. Results are reviewed to inform areas of risk and engagement action plans are developed by leaders to address risks. As a result, Canadian Utilities' retention rates continue to be at or higher than global benchmarks in the industries we operate.

Business Risk: Pipeline Integrity		
Businesses Impacted:	**Associated Strategies:**	
• Utilities	• Operational Excellence	• Community Involvement

Description & Context

Natural Gas Transmission, Natural Gas Distribution and International Gas Distribution have significant pipeline infrastructure. Although the probability of a pipeline rupture is very low, the consequences of a failure can be severe.

Risk Management Approach

Programs are in place to monitor the integrity of the pipeline infrastructure and replace pipelines or pipeline infrastructure as required to address safety, reliability, and future growth. These programs include Natural Gas Distribution's and Natural Gas Transmission's Urban Pipeline Replacement and integrity programs, and Natural Gas Distribution's and International Natural Gas Distribution's Mains Replacement programs. The Company also carries property and liability insurance. The Company actively engages in damage prevention initiatives including proactive direct engagement with the building and excavation communities. The Company also promotes ground disturbance and excavation safety to homeowners and the excavation community.

Business Risk: Political		
Businesses Impacted:	**Associated Strategies:**	
• All businesses	• Growth • Financial Strength	• Operational Excellence

Description & Context

Operations are exposed to a risk of change in the business environment due to political change. Legislative or policy changes may impact the financial performance of operations. This could negatively impact earnings, return on equity and assets, and credit metrics.

Risk Management Approach

Participation in policy consultations with governments and engagement of stakeholder groups ensure ongoing communication and that the impacts and costs of proposed policy changes are identified and understood. Where appropriate, the Company works with its peers and industry associations to develop common positions and strategies. Geographic diversification of assets by region and by country reduces the impact of political and legislative changes.

Business Risk: Regulated Operations		
Businesses Impacted:	**Associated Strategies:**	
• Utilities	• Growth • Financial Strength	• Operational Excellence

Description & Context

The Regulated Utilities are subject to the risks associated with the regulator's approval of customer rates that permit a reasonable opportunity to recover service costs on a timely basis, including a fair return on rate base. The Company is also subject to the potential risk of the regulator disallowing costs incurred. Electricity Distribution and Natural Gas Distribution operate under PBR. Under PBR, utility revenues are formula driven, which raises the uncertainty of cost recovery. In Australia, the ERA assesses appropriate returns, prudent levels of operating costs, capital expenditures and expected throughput on the network through an Access Arrangement proceeding.

Risk Management Approach

The Regulated Utilities file forecasts in the rate-setting process to recover the costs of providing services and earn a fair rate of return. The determination of a fair rate of return on the common equity component of rate base is determined in a generic cost of capital proceeding in Alberta and a rate of return instrument review process, which is then adopted in subsequent Access Arrangement proceedings, in Australia. The Regulated Utilities continuously monitor various regulatory decisions and cases to assess how they might impact the Company's regulatory applications for the recovery of costs. The Regulated Utilities are proactive in demonstrating prudence and continuously look for ways to lower operating costs while maintaining service levels.

Business Risk: Technological Transformation and Disruption		
Businesses Impacted:	**Associated Strategies:**	
• All businesses	• Growth	• Operational Excellence
	• Financial Strength	• Innovation

Description & Context

The introduction and rapid, widespread adoption of transformative technology could lead to disruption of the Company's existing business models and introduce new competitive market dynamics. Failure to effectively identify and manage disruptive technology and/or changing consumer attitudes and preferences may result in disruptions to the business and an inability to achieve strategic and financial objectives.

Risk Management Approach

The strategic plans of each business unit incorporate transformative technology into the evolution of their business and ensure that the best available technology is deployed to support current state operational efficiency and reliability. The business seeks opportunities to minimize costs by monitoring trends occurring in other jurisdictions that may be ahead of the technological curve.

Business Risk: Liquidity	
Businesses Impacted:	**Associated Strategies:**
• All businesses	• Financial Strength

Description & Context

Liquidity risk is the risk that the Company will not be able to meet its financial obligations.

Risk Management Approach

Cash flow from operations provides a substantial portion of the Company's cash requirements. Additional cash requirements are met with the use of existing cash balances and externally through bank borrowings and the issuance of long-term debt, non-recourse long-term debt and preferred shares. Commercial paper borrowings and short-term bank loans under available credit lines are used to provide flexibility in the timing and amounts of long-term financing. At December 31, 2022, the Company's cash position was approximately $0.7 billion and there were available committed and uncommitted lines of credit of approximately $2.4 billion which can be utilized for general corporate purposes.

Liquidity risk includes contractual financial obligations which the Company will meet with cash flow from operations, existing cash balances and external financing, if necessary. These contractual financial obligations for the next five years and thereafter are shown below.

($ millions)	2023	2024	2025	2026	2027	2028 and thereafter
Financial Liabilities						
Accounts payable and accrued liabilities	989	—	—	—	—	—
Long-term debt:						
Principal	106	455	118	357	—	8,555
Interest expense (1)	406	400	399	394	362	6,636
Derivatives (2)	160	52	21	10	10	—
	1,661	907	538	761	372	15,191
Commitments						
Purchase obligations:						
Operating and maintenance agreements	522	436	130	81	66	119
Capital expenditures	376	—	—	—	—	—
Business Acquisition (3)	713	—	—	—	—	—
Other	8	6	22	6	6	6
	1,619	442	152	87	72	125
Total	3,280	1,349	690	848	444	15,316

(1) Interest payments on floating rate debt have been estimated using rates in effect at December 31, 2022. Interest payments on debt that has been hedged have been estimated using hedged rates.

(2) Payments on outstanding derivatives have been estimated using exchange rates and commodity prices in effect at December 31, 2022.

(3) On January 3, 2023, ATCO Power (2010) Ltd., a wholly owned subsidiary of Canadian Utilities, acquired a portfolio of wind and solar assets and projects in Alberta and Ontario, Canada. The transaction was financed by a non-revolving credit facility issued by a syndicate of lenders.

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 2022 Consolidated Financial Statements. Adjusted earnings per Class A and Class B share is 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 2021 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 includes 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.

($ millions) **Three Months Ended December 31**

2022 2021	Utilities	Energy Infrastructure	Corporate & Other	Intersegment Eliminations	Consolidated
Revenues	**902**	**94**	**185**	**(74)**	**1,107**
	884	74	103	(33)	1,028
Adjusted earnings (loss)	**189**	**5**	**(14)**	**—**	**180**
	206	4	(18)	—	192
Impairment reversal	**—**	**4**	**—**	**—**	**4**
	—	—	—	—	—
Unrealized (losses) gains on mark-to-market forward and swap commodity contracts	**—**	**—**	**(19)**	**—**	**(19)**
	—	—	7	—	7
Rate-regulated activities	**(36)**	**—**	**—**	**—**	**(36)**
	(27)	—	—	—	(27)
IT Common Matters decision	**(4)**	**—**	**—**	**—**	**(4)**
	(4)	—	—	—	(4)
Transition of managed IT services	**—**	**—**	**—**	**—**	**—**
	(8)	—	—	—	(8)
Dividends on equity preferred shares of Canadian Utilities Limited	**—**	**—**	**20**	**—**	**20**
	—	—	16	—	16
AUC enforcement proceeding	**—**	**—**	**—**	**—**	**—**
	(14)	—	—	—	(14)
Project cost recovery	**—**	**—**	**—**	**—**	**—**
	—	17	—	—	17
Other	**—**	**—**	**—**	**—**	**—**
	—	(3)	—	—	(3)
Earnings (loss) attributable to equity owners of the Company	**149**	**9**	**(13)**	**—**	**145**
	153	18	5	—	176

($ millions) 2022 / 2021	Utilities	Energy Infrastructure	Corporate & Other	Intersegment Eliminations	Consolidated Year Ended December 31
Revenues	**3,384**	**312**	**477**	**(125)**	**4,048**
	3,041	209	351	(86)	3,515
Adjusted earnings (loss)	**714**	**35**	**(94)**	**—**	**655**
	635	28	(77)	—	586
Impairment reversal (charge) and other costs	**—**	**4**	**—**	**—**	**4**
	—	(64)	(1)	—	(65)
Unrealized losses on mark-to-market forward and swap commodity contract	**—**	**—**	**(67)**	**—**	**(67)**
	—	(2)	(16)	—	(18)
Rate-regulated activities	**10**	**—**	**—**	**—**	**10**
	(118)	—	—	—	(118)
IT Common Matters decision	**(15)**	**—**	**—**	**—**	**(15)**
	(14)	—	—	—	(14)
Transition of managed IT services	**—**	**—**	**—**	**—**	**—**
	(39)	(1)	(2)	—	(42)
Dividends on equity preferred shares of Canadian Utilities Limited	**—**	**—**	**75**	**—**	**75**
	2	—	63	—	65
AUC enforcement proceeding	**(27)**	**—**	**—**	**—**	**(27)**
	(14)	—	—	—	(14)
Workplace COVID-19 vaccination standard	**(8)**	**—**	**—**	**—**	**(8)**
	—	—	—	—	—
Gain on sale of ownership interest in a subsidiary company	**5**	**—**	**—**	**—**	**5**
	—	—	—	—	—
Project cost recovery	**—**	**—**	**—**	**—**	**—**
	—	17	—	—	17
Other	**—**	**—**	**—**	**—**	**—**
	—	(4)	—	—	(4)
Earnings (loss) attributable to equity owners of the Company	**679**	**39**	**(86)**	**—**	**632**
	452	(26)	(33)	—	393

IMPAIRMENT REVERSAL (CHARGE) AND OTHER COSTS

In the second quarter of 2021, impairments and other costs not in the normal course of business of $65 million (after-tax) were recorded. The Company incurred $54 million of these costs in Mexico, related mainly to its Veracruz hydro facility within its Energy Infrastructure segment. The charge reflected an adverse arbitration decision, changes in market regulations, ongoing political uncertainty, and a challenging operating environment, resulting in an impairment of the carrying value of the assets. Other costs recorded were individually immaterial.

In the fourth quarter of 2022, a reversal of impairment of $4 million (after-tax) was recorded mainly related to Energy Infrastructure'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.

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 earnings of 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 year ended December 31, the significant timing adjustments as a result of the differences between rate-regulated accounting and IFRS are as follows:

	Three Months Ended December 31			Year Ended December 31		
($ millions)	**2022**	**2021**	**Change**	**2022**	**2021**	**Change**
Additional revenues billed in current period						
Future removal and site restoration costs (1)	**23**	22	1	**114**	107	7
Impact of colder temperatures (2)	**11**	—	11	**3**	—	3
Revenues to be billed in future periods						
Deferred income taxes (3)	**(40)**	(32)	(8)	**(105)**	(105)	—
Distribution rate relief (4)	**—**	(24)	24	**—**	(119)	119
Impact of warmer temperatures (2)	**—**	4	(4)	**—**	(1)	1
Impact of inflation on rate base (5)	**(23)**	(17)	(6)	**(65)**	(31)	(34)
Settlement of regulatory decisions and other items						
Distribution rate relief (4)	**20**	—	20	**104**	—	104
Other (6)	**(27)**	20	(47)	**(41)**	31	(72)
	(36)	(27)	(9)	**10**	(118)	128

(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) 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.

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

(4) In 2021, in response to the COVID-19 Pandemic, Electricity Distribution and Natural Gas Distribution applied for interim rate relief for customers to hold current distribution base rates in place. Following approval by the AUC, Electricity Distribution and Natural Gas Distribution recorded a decrease in earnings during the fourth quarter and year ended December 31, 2021 of $24 million and $119 million (after-tax). Based on direction from the AUC, collection of 2021 deferred rates commenced in 2022 and for the fourth quarter and year ended December 31, 2022, $20 million and $104 million (after-tax) was billed to customers.

(5) The inflation-indexed portion of International Natural Gas Distribution 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 year 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.

(6) In 2022, Electricity Distribution recorded a decrease in earnings of $18 million (after-tax) related to payments of electricity transmission costs and Natural Gas Distribution recorded a decrease in earnings of $15 million (after-tax) related to payments of gas pipeline system load balancing costs. In 2021, Natural Gas Distribution collected $53 million (after-tax) related to depreciation and transmission rate riders, which was partly offset by a decrease in earnings of $28 million (after-tax) related to payments of transmission costs.

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 during the fourth quarter and year ended December 31, 2022 was $4 million and $15 million (after-tax) (2021 - $4 million and $14 million (after-tax)).

TRANSITION OF MANAGED IT SERVICES

In the fourth quarter of 2020 and first quarter of 2021, the Company signed MSAs with IBM Canada Ltd. (subsequently novated to Kyndryl Canada Ltd.) and IBM Australia Limited, respectively, to provide managed IT services. These services were previously provided by Wipro under ten-year MSAs expiring in December 2024. The transition of the managed IT services from Wipro to IBM commenced on February 1, 2021 and was completed by December 31, 2021. The amount excluded from adjusted earnings during the fourth quarter and year ended December 31, 2022 was $nil (2021 - $8 million and $42 million (after-tax)).

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 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.

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 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.

PROJECT COST RECOVERY

During the fourth quarter and full year of 2021, the Company recorded earnings of $17 million (after-tax) following the conclusion of the Company's involvement in an international project.

OTHER

The Company adjusts the deferred tax asset which was recognized as a result of the 2015 Tula Pipeline Project impairment. In the full year of 2021, the Company recorded a foreign exchange loss of $4 million, due to a difference between the tax base currency, which is the Mexican peso, and the US dollar functional currency.

UTILITIES

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

($ millions) — **Three Months Ended December 31**

2022 / 2021	**Canadian Utilities Limited**								
	Electricity				**Natural Gas**				**Utilities**
	Electricity Distribution	**Electricity Transmission**	**International Electricity**	**Consolidated Electricity**	**Natural Gas Distribution**	**Natural Gas Transmission**	**International Natural Gas**	**Consolidated Natural Gas**	
Adjusted earnings	**33**	**37**	**10**	**80**	**63**	**20**	**26**	**109**	**189**
	37	35	16	88	72	20	26	118	206
Rate-regulated activities	**(22)**	**(9)**	**—**	**(31)**	**26**	**(8)**	**(23)**	**(5)**	**(36)**
	(25)	8	—	(17)	15	(6)	(19)	(10)	(27)
IT Common Matters decision	**(2)**	**—**	**—**	**(2)**	**(2)**	**—**	**—**	**(2)**	**(4)**
	(1)	(1)	—	(2)	(2)	—	—	(2)	(4)
Transition of managed IT services	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	(1)	(1)	—	(2)	(4)	—	(2)	(6)	(8)
AUC enforcement proceeding	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	—	(14)	—	(14)	—	—	—	—	(14)
Earnings attributable to equity owners of the Company	**9**	**28**	**10**	**47**	**87**	**12**	**3**	**102**	**149**
	10	27	16	53	81	14	5	100	153

($ millions)

Year Ended December 31

2022 / 2021	**Canadian Utilities Limited**								
	Electricity				**Natural Gas**				**Utilities**
	Electricity Distribution	**Electricity Transmission**	**International Electricity**	**Consolidated Electricity**	**Natural Gas Distribution**	**Natural Gas Transmission**	**International Natural Gas**	**Consolidated Natural Gas**	
Adjusted earnings	**161**	**165**	**49**	**375**	**158**	**88**	**93**	**339**	**714**
	151	152	44	347	142	81	65	288	635
Rate-regulated activities	**(29)**	**17**	**—**	**(12)**	**98**	**(12)**	**(64)**	**22**	**10**
	(75)	20	—	(55)	(9)	(20)	(34)	(63)	(118)
IT Common Matters decision	**(5)**	**(4)**	**—**	**(9)**	**(5)**	**(1)**	**—**	**(6)**	**(15)**
	(4)	(4)	—	(8)	(5)	(1)	—	(6)	(14)
Transition of managed IT services	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	(10)	(4)	—	(14)	(16)	(2)	(7)	(25)	(39)
Dividends on equity preferred shares of the Company	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	—	1	—	1	—	1	—	1	2
AUC enforcement proceeding	**—**	**(27)**	**—**	**(27)**	**—**	**—**	**—**	**—**	**(27)**
	—	(14)	—	(14)	—	—	—	—	(14)
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	**130**	**150**	**49**	**329**	**248**	**73**	**29**	**350**	**679**
	62	151	44	257	112	59	24	195	452

ENERGY INFRASTRUCTURE

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

($ millions)			**Three Months Ended December 31**
2022 / 2021	**Canadian Utilities Limited**		
	Electricity Generation	**Storage & Industrial Water**	**Energy Infrastructure**
Adjusted earnings (loss)	**(4)**	**9**	**5**
	—	4	4
Impairment reversal	**4**	**—**	**4**
	—	—	—
Project cost recovery	**—**	**—**	**—**
	—	17	17
Other	**—**	**—**	**—**
	—	(3)	(3)
Earnings attributable to equity owners of the Company	**—**	**9**	**9**
	—	18	18

($ millions)			**Year Ended December 31**
2022 / 2021	**Canadian Utilities Limited**		
	Electricity Generation	**Storage & Industrial Water**	**Energy Infrastructure**
Adjusted earnings	**3**	**32**	**35**
	13	15	28
Impairment reversal (charge) and other costs	**4**	**—**	**4**
	(64)	—	(64)
Unrealized losses on mark-to-market forward and swap commodity contract	**—**	**—**	**—**
	—	(2)	(2)
Transition of managed IT services	**—**	**—**	**—**
	—	(1)	(1)
Project cost recovery	**—**	**—**	**—**
	—	17	17
Other	**—**	**—**	**—**
	—	(4)	(4)
Earnings (loss) attributable to equity owners of the Company	**7**	**32**	**39**
	(51)	25	(26)

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 includes 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 December 31**
2022 2021	**Utilities**	**Energy Infrastructure**	**CUL Corporate & Other**	**Consolidated**
Capital Investment	**385**	**64**	**4**	**453**
	253	170	3	426
Capital Expenditure in joint ventures	**(1)**	**—**	**—**	**(1)**
	(2)	(6)	—	(8)
Business Combination (1)	**—**	**—**	**—**	**—**
	—	(84)	—	(84)
Capital Expenditures	**384**	**64**	**4**	**452**
	251	80	3	334

(1) Business combination refers to the acquisition of the Alberta Hub natural gas storage facility in the Energy Infrastructure segment in 2021.

($ millions)				**Year Ended December 31**
2022 2021	**Utilities**	**Energy Infrastructure**	**CUL Corporate & Other**	**Consolidated**
Capital Investment	**1,142**	**240**	**12**	**1,394**
	1,102	226	10	1,338
Capital Expenditure in joint ventures	**(5)**	**(6)**	**—**	**(11)**
	(5)	(22)	—	(27)
Business Combination (1)	**—**	**—**	**—**	**—**
	—	(84)	—	(84)
Capital Expenditures	**1,137**	**234**	**12**	**1,383**
	1,097	120	10	1,227

(1) Business combination refers to the acquisition of the Alberta Hub natural gas storage facility in the Energy Infrastructure segment in 2021.

OTHER FINANCIAL INFORMATION

OFF BALANCE SHEET ARRANGEMENTS

Canadian Utilities does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition, including, without limitation, the Company's liquidity and capital resources.

CONTINGENCIES

The Company is party to a number of disputes and lawsuits in the normal course of business. The Company believes the ultimate liability arising from these matters will have no material impact on its 2022 Consolidated Financial Statements.

SIGNIFICANT ACCOUNTING ESTIMATES

The Company’s significant accounting estimates are described in Note 23 of the 2022 Consolidated Financial Statements, which are prepared in accordance with IFRS. Management makes judgments and estimates that could significantly affect how policies are applied, amounts in the consolidated financial statements are reported, and contingent assets and liabilities are disclosed. Most often these judgments and estimates concern matters that are inherently complex and uncertain. Judgments and estimates are reviewed on an ongoing basis; changes to accounting estimates are recognized prospectively.

FINANCIAL INSTRUMENTS

Financial instruments are measured at amortized cost or fair value. The valuation methods used to measure financial instruments are described in Note 20 of the 2022 Consolidated Financial Statements, which are prepared in accordance with IFRS.

RELATED PARTY TRANSACTIONS

Transactions with related parties in the normal course of business are measured at the exchange amount. Transfers of assets or business combinations between entities under common control are measured at the carrying amount. For further information, please refer to Note 31 of the 2022 Consolidated Financial Statements.

ACCOUNTING CHANGES

At December 31, 2022, there are no new or amended standards issued, or interpretations that need to be adopted in future periods, which will have a material effect on the 2023 Consolidated Financial Statements once adopted.

DISCLOSURE CONTROLS AND PROCEDURES

As of December 31, 2022, management evaluated the effectiveness of the Company’s disclosure controls and procedures as required by the Canadian Securities Administrators. This evaluation was performed under the supervision of, and with the participation of, the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO).

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in documents filed with securities regulatory authorities is recorded, processed, summarized and reported on a timely basis. The controls also seek to assure this information is accumulated and communicated to management, including the CEO and the CFO, as appropriate, to allow timely decisions on required disclosure.

Management, including the CEO and the CFO, does not expect the Company's disclosure controls and procedures will prevent or detect all errors. The inherent limitations in all control systems are that they can provide only reasonable, not absolute, assurance that all control issues and instances of error, if any, within the Company have been detected.

Based on this evaluation, the CEO and the CFO have concluded that the Company’s disclosure controls and procedures were effective at December 31, 2022.

INTERNAL CONTROL OVER FINANCIAL REPORTING

There was no change in the Company's internal control over financial reporting that occurred during the period beginning on January 1, 2022, and ended on December 31, 2022, that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, internal control over financial reporting can provide only reasonable assurance regarding the reliability of financial statement preparation and may not prevent or detect all misstatements.

As of December 31, 2022, management evaluated the effectiveness of the Company's internal control over financial reporting as required by the Canadian Securities Administrators. This evaluation was performed under the supervision of, and with the participation of, the CEO and the CFO.

Based on this evaluation, the CEO and the CFO have concluded that the Company's internal control over financial reporting was effective at December 31, 2022.

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, goals and targets, including ESG targets and the commitment to achieve net zero GHG emissions by 2050; expected emissions reductions; plans to grow dividends in-line with sustainable earnings growth; expected electricity generation capacity and/or productive capacity of assets and projects, including assets and projects that have been acquired or that are expected to be developed in the future; the expected timing of regulatory decisions, or the commencement or completion of activities and/or contracts; the impact or benefits of contracts, including contract value or fees to be paid or received; growth expectations; the expected purchase and sale of electricity; the timing for commencement, construction or commercial operations of facilities, assets or projects; other information pertaining to planned but not yet fully developed projects, including development projects acquired as part of the Renewable Energy Portfolio Acquisition from Suncor, also the Central West Pumped Storage Hydro Project, also the Canadian Pacific Hydrogen Locomotive Project, also the Suncor ATCO Heartland Hydrogen Hub Project, also the ATLAS Carbon Sequestration Hub Project, also the Calgary Solar Development Projects, also the Empress Solar Development Project; future minimum national carbon pricing per tonne in Canada; and expected capital investment and mid-year rate base growth forecasts.

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

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

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 2022 Consolidated Financial Statements and MD&A for the year ended December 31, 2022. 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

AESO means Alberta Electric System Operator.

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

AUC means the Alberta Utilities Commission.

AUD means Australian dollars.

Average weekly earnings (AWE) is an indicator of short-term employee earnings growth.

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.

Consumer price index (CPI) measures the average change in prices over time that consumers pay for a basket of goods and services.

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.

ECM means efficiency carry-over mechanism.

ESG means Environmental, Social and Governance.

EV means electric vehicle.

GAAP means Canadian generally accepted accounting principles.

GHG means greenhouse gas.

GTA means general tariff application.

IFRS means International Financial Reporting Standards.

I-X means the Inflation adjuster (I Factor) and Productivity Adjuster (X Factor).

K Bar means the AUC allowance for capital additions under performance based regulation.

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

O&M means operating and maintenance.

PBR means Performance Based Regulation.

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

REPA means Renewable Energy Purchase Agreement.

ROE means return on equity.

USD means United States dollars.

APPENDIX 1
FOURTH QUARTER FINANCIAL INFORMATION

Financial information for the three months ended December 31, 2022 and 2021 is shown below.

CONSOLIDATED STATEMENT OF EARNINGS

	Three Months Ended December 31	
(millions of Canadian Dollars except per share data)	**2022**	**2021**
Revenues	**1,107**	1,028
Costs and expenses		
Salaries, wages and benefits	**(101)**	(96)
Energy transmission and transportation	**(69)**	(68)
Plant and equipment maintenance	**(82)**	(67)
Fuel costs	**(54)**	(46)
Purchased power	**(87)**	(78)
Depreciation, amortization and impairment	**(174)**	(138)
Franchise fees	**(84)**	(76)
Property and other taxes	**(17)**	(18)
Other	**(179)**	(104)
	(847)	(691)
Earnings from investment in joint ventures	**22**	22
Operating profit	**282**	359
Interest income	**15**	3
Interest expense	**(107)**	(115)
Net finance costs	**(92)**	(112)
Earnings before income taxes	**190**	247
Income taxes	**(43)**	(69)
Earnings for the period	**147**	178
Earnings attributable to:		
Equity Owners of the Company	**145**	176
Non-controlling interests	**2**	2
	147	178
Earnings per Class A and Class B share	**$0.46**	$0.59
Diluted Earnings per Class A and Class B share	**$0.46**	$0.59

CONSOLIDATED STATEMENT OF CASH FLOWS

(millions of Canadian Dollars)	Three Months Ended December 31 2022	2021
Operating activities		
Earnings for the period	**147**	178
Adjustments to reconcile earnings to cash flows from operating activities	**341**	335
Changes in non-cash working capital	**120**	(3)
Cash flows from operating activities	**608**	510
Investing activities		
Additions to property, plant and equipment	**(405)**	(310)
Proceeds on disposal of property, plant and equipment	**1**	—
Additions to intangibles	**(43)**	(27)
Acquisition, net of cash acquired	**—**	(84)
Investment in joint ventures	**—**	(6)
Changes in non-cash working capital	**5**	—
Other	**1**	99
Cash flows used in investing activities	**(441)**	(328)
Financing activities		
(Repayment) issue of short-term debt	**(19)**	206
Issue of long-term debt	**116**	1
Repayment of long-term debt	**(219)**	(163)
Repayment of lease liabilities	**(2)**	(2)
Issue of equity preferred shares	**—**	201
Issue of Class A shares	**—**	2
Dividends paid on equity preferred shares	**(20)**	(16)
Dividends paid to non-controlling interests	**(2)**	(2)
Dividends paid to Class A and Class B share owners	**(113)**	(119)
Interest paid	**(116)**	(112)
Other	**(1)**	(3)
Cash flows used in financing activities	**(376)**	(7)
(Decrease) increase in cash position	**(209)**	175
Foreign currency translation	**(4)**	(4)
Beginning of period	**911**	579
End of period	**698**	750