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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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2023

This Management's Discussion and Analysis (MD&A) is meant to help readers understand key operational and financial events that influenced the results of Canadian Utilities Limited (Canadian Utilities, our, we, us, or the Company) during the year ended December 31, 2023.

This MD&A was prepared as of February 28, 2024, and should be read with the Company's audited consolidated financial statements (2023 Consolidated Financial Statements) for the year ended December 31, 2023. Additional information, including the Company's Annual Information Form (2023 AIF) is available on SEDAR+ at www.sedarplus.ca.

The Company is controlled by ATCO Ltd. (ATCO) 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.

TABLE OF CONTENTS

CANADIAN UTILITIES' PATH TO 2030

CREATING PROSPERITY AND OPPORTUNITY FOR GENERATIONS TO COME

Canadian Utilities plays a key role in the ATCO Group of Companies' goals and aspirations. By providing energy, an essential service, Canadian Utilities has and will continue to create prosperity and opportunities in the communities it serves for decades to come.

Incorporating our Core Values

Our actions reflect our core values of safety, integrity, agility, caring, and collaboration. These foundational principles guide us as we balance the short- and long-term economic, environmental and social considerations of our businesses.

Committed to the sustainable future

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

We continue to make strong progress towards our ESG targets announced by our parent company, ATCO, in 2022. These 2030 targets include reducing our operational Greenhouse Gas Emissions (GHG) intensity and customer emissions, growing our low carbon energy portfolio and transitional products, increasing economic benefits for Indigenous partners, continuing our focus on safety, and further promoting diversity, equity and inclusion in the workplace. The 2050 net-zero aspiration builds upon the Company's significant progress in recent years in decarbonizing its portfolio.

Details about our progress towards these targets is discussed in this MD&A's "Sustainability, Climate Change and Energy Transition" section and in ATCO's annual Sustainability Report, which will be available in May 2024.

CANADIAN UTILITIES' STRATEGIES

At the heart of Canadian Utilities’ strategy is the desire to be a unified provider of energy, an essential service for our customers, allowing them to avoid the challenges of relying on a fragmented network of providers. Energy is one of life's essential services. Without safe, reliable, resilient and affordable access to energy, prosperity and opportunity cannot thrive. Essential services, like energy, are resilient to macroeconomic headwinds, geopolitical conflict and natural disasters and are a significant driver of economic growth in the jurisdictions we operate. Our unique market position, the ability to leverage our expertise in key markets, including North America, Latin America, and Australia, our integrated capabilities, and exceptional customer care combine to create a competitive advantage that is difficult to replicate, and one that continues to deliver value to share owners through earnings and dividend growth.

Canadian Utilities is a globally-trusted brand, built on our foundation of excellence, which gives us an advantage as we look towards purpose-driven expansion or acquisition opportunities through each of our business units. We know that to continue to enable long-term prosperity, we need to evaluate different avenues for growth that allow us to stay ahead of the curve and remain competitive on a global stage.

Canadian Utilities has built a strong foundation for continued growth by building and protecting our core utility assets while investing in activities that serve the growing and evolving needs of our customers, aiming to advance the energy transition, and ensuring long-term resiliency. We are optimizing current assets, leveraging our expertise in key markets, including North America, Latin America, and Australia to drive growth across geographies. By consistently delivering reliable, safe, cleaner, and affordable energy for our customers, while pursuing potential growth opportunities, Canadian Utilities will continue to drive cash flow and earnings to improve financial strength and growth capacity.

Our businesses also continue to pursue diversification opportunities and/or expansion of product offerings through the evaluation of new technologies, non-traditional markets, and integrated services.

STRATEGIC TENETS

Valuing a long-term outlook.

Building on our core utility businesses.

Taking a leadership role in the energy transition.

Building equitable partnerships with Indigenous communities.

Collaborating for the betterment of communities.

Supporting the talent and diversity of the Canadian Utilities team.

THE REGULATED UTILITIES CAPITAL INVESTMENT (1) PLANS

The three year capital investment plan in the Regulated Utilities includes $4.1 to $4.8 billion of planned capital investment that is expected to contribute significant earnings and cash flows and create long-term value for share owners. This investment will serve the evolving needs of our customers and support population and business growth, system reliability and safety, climate resiliency and adaptation, decarbonization, and technology to further improve operating efficiencies. To achieve the upper end of the investment range, certain regulatory applications will need to be made and approved, the most significant of which will relate to expansion of the natural gas transmission system in support of increasing natural gas demand in the Heartland Industrial region. This three year capital spending plan includes $1.0 to $1.2 billion relating to Electricity Distribution, $0.8 to $0.9 billion to Electricity Transmission, $1.0 to $1.1 billion to Natural Gas Distribution, $1.0 to $1.3 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. The three year plan includes expected rate base growth of 3 per cent to 4 per cent, with expected rate base growth of 4 per cent to 5 per cent over a longer term.

(1) Non-GAAP financial measure (as defined in National Instrument 52-112 – Non-GAAP Financial and Other Measures Disclosure (NI 52-112)). See "Other Financial and Non-GAAP Measures" and "Reconciliation of Capital Investment to Capital Expenditures" in this MD&A.

Mid-Year Rate Base Growth (C$ Billions)

(billions)	2023	2026E	Three Year CAGR (1)
Electricity Distribution	3.2	3.5 to 3.8	3.0% to 5.9%
Electricity Transmission	5.1	5.3	1.3%
Natural Gas Distribution	3.1	3.3 to 3.4	2.1% to 3.1%
Natural Gas Transmission	2.6	2.9 to 3.2	5.1% to 8.6%
International Natural Gas Distribution	1.4	1.7	6.7%
Total	**15.4**	**16.7 to 17.4**	**3.0% to 4.4%**

(1) CAGR means compound annual growth rate.

OUR COMPANY

GLOBAL PROFILE

Canadian Utilities Limited is a publicly traded company with its Class A shares listed as CU on the Toronto Stock Exchange.

Canadian Utilities is a principal subsidiary of ATCO, which owns 52.7 per cent (37.4 per cent of the Class A non-voting shares (Class A shares) and 99.6 per cent of the Class B common shares (Class B shares)).

Investing in our future for a changing world.

On a global scale, Canadian Utilities energizes homes, businesses, industries, and delivers customer-focused energy infrastructure solutions. Canadian Utilities is a company with a diverse, global portfolio of investments that delivers operational excellence and superior returns. Fueled by the unwavering dedication of approximately 5,300 employees and over 3,700 employees in joint ventures including LUMA Energy, we are building on our core utility businesses and investing in activities aimed at advancing the energy transition and ensuring long-term resiliency.

Canadian Utilities is a diversified global energy infrastructure corporation delivering operating and service excellence and innovative business solutions through ATCO Energy Systems (electricity and natural gas transmission and distribution, and international operations); ATCO EnPower (energy storage, energy generation, industrial water solutions, and clean fuels); and Retail Energy (electricity and natural gas retail sales, and whole-home solutions).

4M+	$23B	52	100+ YEARS
Total Customers	**Total Assets**	**Years of Annual Dividend Increases**	**Long History of Global Operations**

OUR BUSINESS UNITS

Canadian Utilities reports on the three business units of ATCO Energy Systems (rebranded in 2023 from Utilities), ATCO EnPower (rebranded in 2023 from Energy Infrastructure), and Canadian Utilities Corporate & Other. Each of the operating subsidiaries in these business units share similar economic characteristics and have been aggregated for reporting purposes. Learn more details about each business unit, including their strategies, below.

ATCO Energy Systems

FAST FACTS

105,000 KM	65,600 KM	84,000+
Powerlines (Owns and Operates)	**Pipelines (Owns and Operates)**	**New Solar Connections by LUMA Energy**

ATCO Energy Systems is our regulated utilities business unit that operates in Canada, Australia, and Puerto Rico. The four regulated utilities (Electricity Transmission, Electricity Distribution, and Natural Gas Transmission and Natural Gas 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 through Canadian Utilities' 50 per cent ownership in LUMA Energy, LLC (LUMA Energy).

Our value proposition is delivering essential energy for an evolving world. We do this through safely delivering reliable and affordable energy, responsibly leading an equitable energy transition, investing to serve the growing and changing needs of our customers, and being a trusted partner committed to long-term mutual prosperity.

ATCO EnPower

FAST FACTS

544,000 m3	415 MW	117 PJ
Natural Gas Liquids Storage Capacity	**Renewable Generation (Owns and Operates)**	**Natural Gas Storage Capacity**

ATCO EnPower's energy transition businesses include: hydro, solar, wind, and natural gas electricity generation in Canada, Australia, Mexico, and Chile, as well as natural gas storage, Natural Gas Liquids (NGL) storage, and industrial water solutions in Alberta. ATCO EnPower is also developing its clean fuels business including hydrogen, carbon capture and underground storage projects.

ATCO EnPower has a multifaceted approach to energy transition solutions that involves both innovative technologies and lower carbon energy sources. We focus 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. ATCO EnPower continues to actively explore potential opportunities that will complement our growing portfolio and advocate for public policy that will enable a sustainable transition. Additionally, we continue to optimize and drive growth in our energy storage business. Storage is critical to energy stability and to supporting the reliability of the grid as the world transitions to clean, but more intermittent, sources of energy.

Corporate & Other

FAST FACTS

~308,000	43%	4,690
Residential Sites at ATCOenergy	**Rümi's 2023 Customer Growth**	**Number of Rümi Home Services Sold in 2023**

Corporate & Other contains ATCOenergy which provides retail electricity and natural gas services, and Rümi, which provides home products, home maintenance services and professional home advice in Alberta. Canadian Utilities' Corporate & Other 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. Corporate & Other includes preferred share dividend and debt expenses.

Rümi currently offers approximately 80 services in the Albertan communities of Edmonton and Calgary, and approximately 35 services in the Lethbridge, Red Deer, and Grande Prairie communities.

ATCOenergy is the fourth largest competitive energy retailer in the province of Alberta, offering electricity and natural gas plans to residential and business customers. By the end of 2023, ATCOenergy services a total of 308,000 sites in the residential competitive market which is comprised of 170,000 electricity sites and 138,000 gas sites.

ATCO Australia

FAST FACTS

14,700 KM	268 MW	803,000
Pipelines (Owns and Operates)	**Operating Assets**	**Average monthly customers in 2023**

Integrated within our other business units for reporting, our ATCO Australia business includes ATCO Gas Australia (reported under ATCO Energy Systems as International Natural Gas Distribution) and the Power business (reported under ATCO EnPower's Electricity Generation segment).

ATCO's growth strategy in Australia is aligned with the country's evolving energy landscape characterized by progressive policies and publicly stated emissions targets. With a focus on renewable energy adoption and the development of firming technologies, such as energy storage solutions and hydrogen production, we aim to substantially increase our capacity to meet the rising demand for clean energy.

OUR OPERATING ENVIRONMENT

We operate in a complex and ever-changing world, so striving to anticipate and understand the broad trends impacting our customers and communities is paramount. This appreciation and understanding of our operating environment allows us to better identify possible challenges while capitalizing on emerging opportunities and continuing to deliver high-performing results.

Key market trends

Global and societal changes can create opportunities or present challenges, and they play an important role in shaping the way we collaborate with our customers, team members, share owners and the communities in which we operate. The following is an examination of the key market trends we are seeing and how we are positioning our businesses to respond.

ENERGY TRANSITION & ENERGY SECURITY

The global energy transition is a complex ongoing process requiring long-term energy strategies, which utilize appropriate technologies and fuels to produce energy that satisfies evolving demand. The energy transition must balance reliability and resilience with affordability while achieving higher energy security and lower emissions toward a net-zero future. With this, the utilities industry is changing to 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, emissions reduction targets, and government incentives present opportunities for utility companies. ATCO Energy Systems is well positioned to capitalize on these trends. We also believe that new technologies will create opportunities for efficiencies within our utilities businesses to drive down customers' costs.

Additionally, the political and societal push to address climate change is driving further investment into storage and grid balancing solutions to improve system reliability. However, this ongoing transition also brings policy uncertainty and risks, delaying investment decisions that would align with our 2050 net-zero targets.

Extreme weather events such as heat waves, wildfires, ice and frost events, and large storms are becoming more frequent and more intense through the impact of climate change. Canadian Utilities is uniquely positioned to provide support to communities and areas effected by these catastrophic events, while working diligently to minimize our impact with our net-zero by 2050 aspiration as well as our initial set of 2030 ESG Targets. We also maintain in-depth emergency response measures for these extreme weather events, including our robust Wildfire Management Plans. When planning for capital investment or acquiring assets, site specific climate and weather factors, such as flood plain mapping and reliability during extreme weather history are considered.

GLOBAL SECURITY AND DEFENSE

Over the last few years we have seen an increase in geopolitical tensions and conflicts. Such geopolitical events can cause varying levels of disruption, which can generate labour shortages in critical trades, persistent global supply chain delays that can affect project productivity and delivery, and directed cybersecurity threats and technology leaks. As part of its corporate strategy, ATCO is vigilant about the increased risks and threats that may impact us. Beyond the business impact, the human toll can be staggering, whether due to hostilities, food insecurity or loss of homes.

We unfortunately only see this global polarization and resulting tension increasing over the years to come. Governments and business will both need to bring all their resources to bear to protect our democracies and civilians. These global security risk further amplify the need for protection of the critical infrastructure in the areas we operate, and to provide support to those impacted by geopolitical events. Employees throughout Canadian Utilities are trained in using the Incident Command Systems (ICS) and have a broad range of skills and expertise that can support recovery of communities in need or damaged infrastructure.

INDIGENOUS RECONCILIATION

Share owners are increasingly favouring companies that align with their social values, including those that show a commitment towards Indigenous reconciliation. Additionally, principles from the United Nations Declaration on the Rights of Indigenous People Act (UNDRIP) are being incorporated into certain legislative acts, and companies that genuinely pursue equitable partnerships, provide employment opportunities, and have robust Indigenous procurement standards set themselves apart when bidding on government contracts or applying for government projects or grants.

The progress Canadian Utilities has made in creating equitable partnerships with Indigenous Communities is a hallmark of our approach to business. This is highlighted by ATCO Energy Systems' landmark electricity purchase agreements with remote communities that support reduction of diesel reliance, and ATCO EnPower's equity partnership with the Chiniki and Goodstoney First Nations for the Deerfoot and Barlow solar projects. We believe that creating equitable partnerships for Indigenous communities should be the standard for governments and businesses alike in support of reconciliation and inclusiveness.

We pride ourselves on being a leader in the communities we serve through our various initiatives with Indigenous groups, and local charities. ATCO, Canadian Utilities' parent company, has incorporated an Indigenous Advisory Board led by senior Indigenous directors from across Canada and they have been instrumental with the advice provided to our businesses.

CHANGING WORKFORCE

Canadian Utilities' businesses serve a broad range of people and communities which requires that we attract a broad range of backgrounds and dynamic experience in our workforce. Additionally, in the jurisdictions in which we operate there is a multigenerational workforce with a high number of employees between 55 and 64 years of age. There is a risk of labour shortages as many of our colleagues work towards retirement.

We strive to demonstrate our values to attract potential employees while providing the development, training and leadership for them to thrive. We have an ongoing commitment to inclusion practices, fostering a safe working environment, developing mentors, removing barriers, and providing development and succession planning. This is critical to creating an equitable playing field of opportunity and supporting the internal pipeline of talent on which our future relies. Canadian Utilities works to build a community where everyone can bring their whole selves to work and reach their full potential. This strategy holds us accountable, enhances a sense of belonging and drives superior business performance.

THE GLOBAL ECONOMY AND MARKET VOLATILITY

The global impacts of large-scale world events can create challenges for any business. The recent examples of the worldwide pandemic, increasingly destructive weather events, supply chain interruptions, and geopolitical tensions and wars show that a business needs to be ready for anything. By being a forward-looking company, Canadian Utilities can, and has, mitigated the impacts such changes bring.

We view total share owner return through a long-term lens, and our corporate actions are consistent with that. Many of our core financial pillars – minimum cash balance, strong focus on access to capital, and adequate leverage – reflect learnings from history. Whether it be capital recycling through asset sales, expanding through new acquisitions or purposeful capital allocation to our existing companies, proactive decisions made across our businesses have allowed us to deliver strong results through various geopolitical events and economic cycles.

PUBLIC DEBT, INFLATION AND INTEREST RATES

Recent years have seen inflation and interest rates increase globally and create challenges for investment and risk to managing operating costs. Additionally, the increased expenditures of governments around the world in response to the COVID-19 pandemic and the accumulated public debt will have lingering impacts on the global economy for years to come. Canadian Utilities has operated for over 100 years through other times of high interest rates and rising inflation and our record shows our ability to manage and thrive despite these conditions. We do not view these macroeconomic impacts as transitory, and are actively managing our portfolio with this in mind.

ATCO Energy Systems' utility businesses in Alberta, Australia, and Puerto Rico have regulatory mechanisms that take inflation into consideration, providing resiliency for a large portion of our earnings, and ATCO EnPower limits its exposure to the fluctuating commodities market by signing Power Purchase Agreements (PPA). The key to Canadian Utilities' success in weathering these conditions is our consistent approach to being proactive when it comes to planning and operations, allowing us to take advantage of opportune times for project purchasing, managing staffing requirements, and taking into account relevant exchange rates.

DIGITIZATION AND ARTIFICIAL INTELLIGENCE (AI)

Artificial Intelligence is a critical topic as companies navigate how and when to apply these fast emerging technologies. AI can range from the personal assistants in phones, generative AI incorporated into different software, to technology providing real-time information to a company. Additionally, many companies are already in the process of digitization to increase operational efficiencies, reliability of information, and managing large amounts of data.

Within ATCO Energy Systems, leveraging data and digitizing our utilities technology remains a key priority and one that will drive continued efficiencies as our system becomes more capable of predicting and responding to customer needs. As part of this process, the last few years have seen us complete a number of digitization and modernization objectives, including the deployment of Advanced Metering Infrastructure (AMI), the latest in metering technology; working towards deploying an Advanced Distribution Management System, a platform for a variety of smart grid functions; as well as implementation of a workforce and asset management program that provides an efficient way to track, manage, and dispatch work to field-based employees based on urgency.

AI has the potential to enhance the capabilities of our digital systems. While our AMI technology is already allowing for faster detection of outages, applied AI could predict infrastructure maintenance. Like all new technologies, proper governance and risk management need to be part of the plan, but the successful integration of AI and digital technologies could provide long-term operational and financial value to our businesses.

OUR 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.

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.

Following are some of the highlights of our model for corporate governance. For more information, please see the Governance section of our 2023 Management Proxy Circular, which will be available in April 2024.

Our Board of Directors

The role of our Board 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 and the Corporate Governance - Nomination, Compensation and Succession Committee (GOCOM). 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 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 DADs. Each DAD is assigned to one of our business units based on their strengths and experience in various industry sectors. The role of the DADs is to supplement the oversight role of the Audit & Risk Committee.

DADs meet quarterly with senior management of their respective business unit, and annually with internal and external auditors. In addition, they review their respective businesses' financial performance and operating results, discuss risks with management, and report to the Audit & Risk Committee.

PERFORMANCE OVERVIEW

FINANCIAL METRICS

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

($ millions, except per share data and outstanding shares)	2023	2022	2021
		Year Ended December 31	
Key Financial Metrics			
Revenues	**3,796**	4,048	3,515
Adjusted earnings (loss) (1)	**596**	655	586
ATCO Energy Systems (1)	**644**	714	635
ATCO EnPower (1)	**50**	35	28
Corporate & Other (1)	**(98)**	(94)	(77)
Adjusted earnings ($ per share)	**2.21**	2.43	2.17
Earnings attributable to equity owners of the Company	**707**	632	393
Earnings attributable to Class A and Class B shares	**630**	557	328
Earnings attributable to Class A and Class B shares ($ per share)	**2.33**	2.07	1.21
Diluted earnings attributable to Class A and Class B shares ($ per share)	**2.33**	2.06	1.21
Total assets	**23,158**	21,974	21,075
Long-term debt	**10,535**	9,540	9,308
Equity attributable to equity owners of the Company	**6,944**	6,879	6,635
Cash dividends declared per Class A and Class B share (cents per share)	**1.79**	1.78	1.76
Cash flows from operating activities	**1,780**	2,140	1,718
Capital investment (2)	**2,064**	1,394	1,338
Capital expenditures	**1,360**	1,383	1,227
Other Financial Metrics			
Weighted average Class A and Class B shares outstanding *(thousands):*			
Basic	**270,072**	269,133	269,855
Diluted	**270,314**	269,668	270,317

(1) Total of segments measures (as defined in NI 52-112). The most directly comparable measure reported in accordance with International Financial Reporting Standards is Earnings Attributable to Equity Owners of the Company. See "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) Non-GAAP financial measure (as defined in NI 52-112). The most directly comparable measure reported in accordance with International Financial Reporting Standards is capital expenditures. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Capital Investment to Capital Expenditures" in this MD&A.

REVENUES

Revenues in 2023 were $3,796 million, $252 million lower than the same period in 2022. Lower revenues were mainly due to cost efficiencies generated by Electricity Distribution and Natural Gas Distribution over the second generation Performance Base Regulation (PBR) term now being passed onto customers under the 2023 Cost of Service (COS) rebasing framework, and the Alberta Utilities Commission (AUC) decision to maximize the collection of 2021 deferred revenues in 2022 as a result of rate relief provided to customers in 2021. Lower revenues were also due to lower prices for retail electricity and natural gas in ATCO Energy. Lower revenues were partially offset by additional revenues from ATCO EnPower's Forty Mile and Adelaide wind assets acquired in January 2023, higher flow-through revenues in Electricity Distribution, and higher rates and increased system volumes in International Natural Gas Distribution.

ADJUSTED EARNINGS [(1)]

Our adjusted earnings in 2023 were $596 million or $2.21 per share, compared to $655 million or $2.43 per share for the same period in 2022.

Adjusted earnings in 2023 were $59 million lower compared to the same period in 2022 mainly due to cost efficiencies generated by Electricity Distribution and Natural Gas Distribution over the second generation PBR term now being passed onto customers under the 2023 COS rebasing framework, and the impact of inflation indexing on rate base in 2022 in International Natural Gas Distribution.

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

EARNINGS ATTRIBUTABLE TO EQUITY OWNERS OF THE COMPANY

Earnings attributable to equity owners of the Company were $707 million in 2023, $75 million higher compared to 2022. Earnings attributable to equity owners of the Company include timing adjustments related to rate-regulated activities, dividends on equity preferred shares of the Company, unrealized gains or losses on mark-to-market forward and swap commodity contracts, one-time gains and losses, impairments, and items that are not in the normal course of business or a result of day-to-day operations. These items are not included in adjusted earnings.

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

Earnings attributable to equity owners of the Company are earnings attributable to Class A shares and Class B shares plus dividends on equity preferred shares of the Company. Additional information regarding earnings attributable to Class A shares and Class B shares is presented in Note 8 of the 2023 Consolidated Financial Statements.

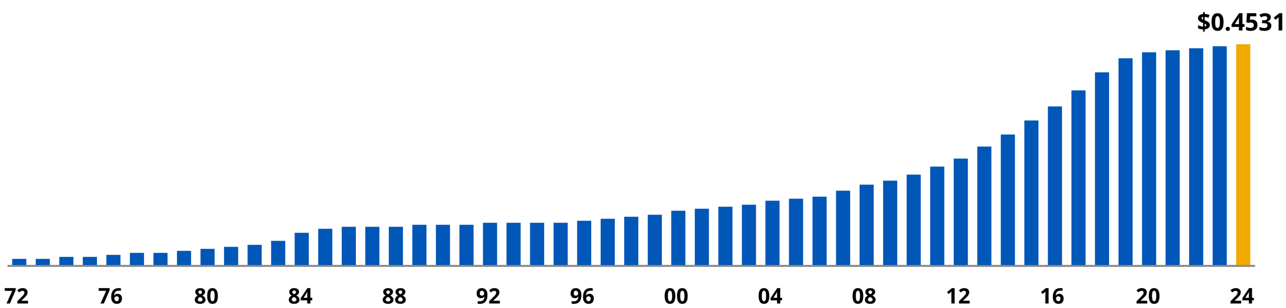
CASH FLOWS FROM OPERATING ACTIVITIES

Cash flows from operating activities were $1,780 million in 2023, $360 million lower than the same period in 2022. This decrease was mainly due to lower prices for retail electricity and natural gas in ATCOenergy and, lower cash flows in 2023 resulting from the recovery of the 2021 deferral of rate increases in 2022 in the Electricity Distribution and Natural Gas Distribution businesses, partly offset by increased 2023 operating cash flows generated from the acquisition of the Forty Mile and Adelaide wind assets.

COMMON SHARE DIVIDENDS

We have increased our common share dividend every year for the past 52 years, the longest record of annual dividend increases of any Canadian publicly traded company. Dividends paid to Class A and Class B share owners in 2023 totaled $458 million, net of $27 million of dividends reinvested. On January 11, 2024, the Board of Directors declared a first quarter dividend of 45.31 cents per share or $1.81 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 - 2024
(dollars per share)

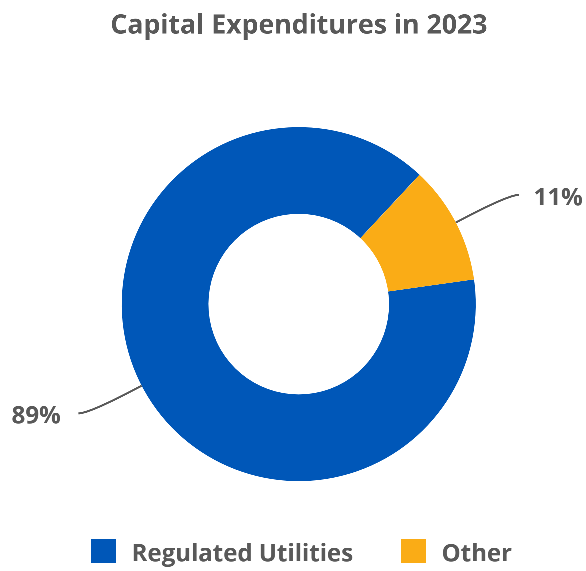


[(1)] *Total of segments measure. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Equity Owners of the Company" in this MD&A.*

CAPITAL INVESTMENT [(1)] AND CAPITAL EXPENDITURES

Total capital investment of $2,064 million in 2023 was $670 million higher compared to the same period in 2022 mainly due to the first quarter 2023 acquisition of the renewable energy portfolio in the ATCO EnPower segment.

Total capital expenditures of $1,360 million in 2023 were $23 million lower compared to the same period in 2022 mainly due to decreased capital spending within ATCO EnPower as the Carbon natural gas storage facility expansion project was completed and the Barlow, Deerfoot and Empress Solar projects reached commercial operations throughout 2023, partially offset by ongoing capital investment in the Regulated Utilities.



Capital expenditures in the Regulated Utilities accounted for 89 per cent of the total in the full year of 2023. The remaining 11 per cent was primarily related to capital spending within the ATCO EnPower segment mainly related to the Barlow, Deerfoot and Empress solar projects.

(1) *Non-GAAP financial measure. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Capital Investment to Capital Expenditures" in this MD&A.*

BUSINESS UNIT PERFORMANCE

REVENUES

ATCO Energy Systems revenues of $852 million and $3,174 million in the fourth quarter and full year of 2023 were $50 million and $210 million lower compared to the same periods in 2022 mainly due to cost efficiencies generated by Electricity Distribution and Natural Gas Distribution over the second generation PBR term now being passed onto customers under the 2023 COS rebasing framework, and the AUC decision to maximize the collection of 2021 deferred revenues in 2022 as a result of rate relief provided to customers in 2021. In addition, Electricity Transmission revenues were lower due to the settlement of the 2018-2021 Deferral Application as well as the settlement of the 2023-2025 General Tariff Application which reflects ceased collection and a refund of previously collected federal deferred income taxes. These actions do not significantly impact adjusted earnings, however, they will reduce revenues and cash flows from 2023 to 2025, providing rate relief to customers. Lower revenues were partially offset by higher flow-through revenues in Electricity Distribution, growth in rate base in Natural Gas Distribution and Natural Gas Transmission, and higher rates and increased system volumes in International Natural Gas Distribution.

ADJUSTED EARNINGS

	Three Months Ended December 31			Year Ended December 31		
($ millions)	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
Electricity						
Electricity Distribution [1]	**46**	33	13	**150**	161	(11)
Electricity Transmission [1]	**36**	37	(1)	**162**	165	(3)
International Electricity Operations [1]	**14**	10	4	**48**	49	(1)
Total Electricity [1]	**96**	80	16	**360**	375	(15)
Natural Gas						
Natural Gas Distribution [1]	**62**	63	(1)	**120**	158	(38)
Natural Gas Transmission [1]	**22**	20	2	**91**	88	3
International Natural Gas Distribution [1]	**11**	26	(15)	**73**	93	(20)
Total Natural Gas [1]	**95**	109	(14)	**284**	339	(55)
Total ATCO Energy Systems [2]	**191**	189	2	**644**	714	(70)

(1) Non-GAAP financial measures. See "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) Total of segments measure. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Equity Owners of the Company" in this MD&A.

ATCO Energy Systems adjusted earnings of $191 million in the fourth quarter of 2023 were $2 million higher than the same period in 2022 mainly due to growth in rate base and new cost efficiencies realized in 2023 in Electricity Distribution and Natural Gas Distribution, and lower operating costs in International Electricity Operations.

ATCO Energy Systems adjusted earnings of $644 million in the full year of 2023 were $70 million lower than the same period in 2022 mainly due to cost efficiencies generated by Electricity Distribution and Natural Gas Distribution over the second generation PBR term now being passed onto customers under the 2023 COS rebasing framework. Earnings were also lower due to the impact of inflation indexing on rate base in 2022 in International Natural Gas Distribution. Lower earnings were partially offset by growth in rate base and new cost efficiencies and lower operating costs realized in 2023 in Electricity Distribution and Natural Gas Distribution, and by increased system volumes in International Natural Gas Distribution.

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

Electricity Distribution

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

Electricity Distribution adjusted earnings of $46 million in the fourth quarter of 2023 were $13 million higher than the same period in 2022 mainly due to new cost efficiencies realized in 2023.

Electricity Distribution adjusted earnings of $150 million in the full year of 2023 were $11 million lower than the same period in 2022 mainly due to cost efficiencies generated over the second generation PBR term now being passed onto customers under the 2023 COS rebasing framework, partially offset by new cost efficiencies realized in 2023 and growth in rate base.

Electricity Transmission

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

Electricity Transmission adjusted earnings of $36 million in the fourth quarter of 2023 were comparable to the same period in 2022.

Electricity Transmission adjusted earnings of $162 million in the full year of 2023 were $3 million lower compared to the same period in 2022 mainly due to the second quarter decision received from the AUC on the 2018-2021 Deferral Application, which denied recovery of forgone return related to certain cancelled projects.

International Electricity Operations

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

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

International Electricity Operations adjusted earnings of $14 million in the fourth quarter of 2023 were $4 million higher compared to the same period in 2022 mainly due to lower operating costs in 2023.

International Electricity Operations adjusted earnings of $48 million in the full year of 2023 were $1 million lower compared to the same period in 2022 mainly due to increased operating costs, partially offset by favourable foreign exchange rates.

Natural Gas Distribution

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

Natural Gas Distribution adjusted earnings of $62 million and $120 million in the fourth quarter and full year of 2023 were $1 million and $38 million lower than the same periods in 2022 mainly due to cost efficiencies generated over the second generation PBR term now being passed onto customers under the 2023 COS rebasing framework. Lower earnings were partially offset by growth in rate base and lower operating costs in the fourth quarter.

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 $22 million and $91 million in the fourth quarter and full year of 2023 were $2 million and $3 million higher than the same periods in 2022 mainly due to growth in rate base.

International Natural Gas Distribution

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

International Natural Gas Distribution adjusted earnings of $11 million and $73 million in the fourth quarter and full year of 2023 were $15 million and $20 million lower than the same periods in 2022 mainly due to the impact of inflation indexing on rate base in 2022, partially offset by increased system volumes.

Australia inflation indexing reflected a full year inflation assumption of 7 per cent which increased to 8 per cent by the end of 2022. Australia inflation indexing in 2023 reflects an inflation assumption of 4 per cent.

ATCO ENERGY SYSTEMS REGULATORY FRAMEWORKS

Regulated Business Models

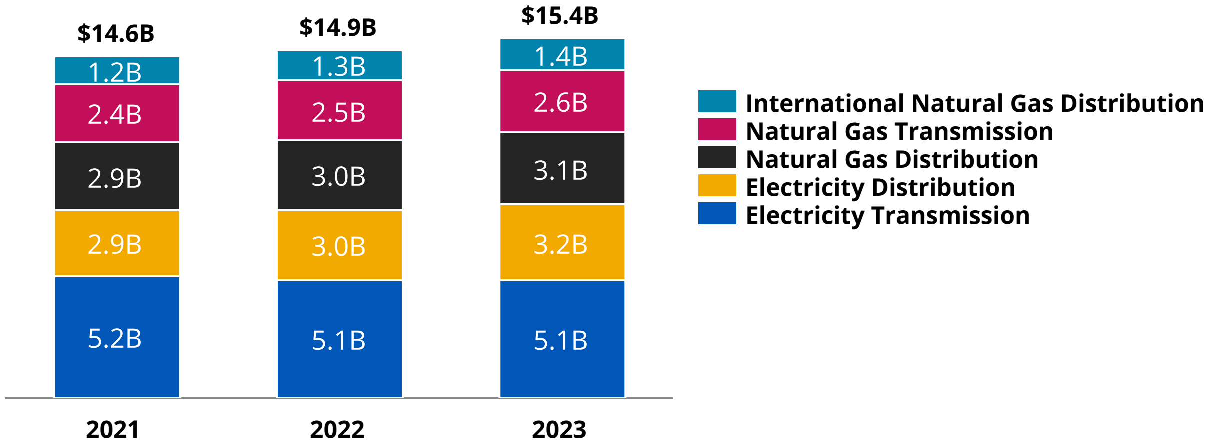
The business operations of Electricity Distribution, Electricity Transmission, Natural Gas Distribution, and Natural Gas Transmission are regulated mainly by the AUC. The AUC administers acts and regulations covering such matters as rates, financing and service area.

Natural Gas Transmission and Electricity Transmission operate under 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 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 complete 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 by the Economic Regulation Authority (ERA) of Western Australia. International Natural Gas Distribution operates under incentive based regulation 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)



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. Rate base growth is expected to continue with the three year plan showing an expected rate base growth of 3 per cent to 4 per cent, with expected rate base growth of 4 per cent to 5 per cent over a longer term.

Performance Based Regulation

After the conclusion of the second generation PBR term (PBR2) in 2022, and following a one-year COS rebasing in 2023, the Natural Gas Distribution and Electricity Distribution businesses moved to a third generation of performance-based regulation (PBR3) for the years 2024 to 2028.

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

	PBR Third Generation
Timeframe	2024 to 2028
Inflation Adjuster (I Factor)	Inflation indices (FWI and CPI) adjusted annually with a true up applied
Productivity Adjuster (X Factor)	0.40% (includes 0.3% for productivity factor premium)
O&M	Based on 2023 approved COS Applications; inflated by I-X through the PBR term
Return on Operating Cost Investment	Ability to apply for return on operating solutions
Treatment of Capital Costs	a. Recovered through going-in rates inflated for I-X and a K Bar (the AUC allowance for capital additions under PBR) that is based on inflation adjusted average historical capital costs for the period 2018-2022. The K Bar is calculated annually and adjusted for the actual weighted average cost of capital (WACC) b. Significant extraordinary capital costs not previously incurred, required by a third party or directly caused by applicable law related to net-zero objectives recovered through a “Type I” K Factor
Return On Equity (ROE)	a. Based on the established Generic Cost of Capital (GCOC) formula (results released November of each year) b. + 0.5% ROE efficiency carry-over mechanism (ECM) achieved from PBR Second Generation added to 2023 and 2024
Earnings Sharing Mechanism (ESM)	Two-tiered, asymmetric ESM; • the utilities retain 100% of the first 200 bps of earnings above the authorized ROE • a 60/40 utility/customer split for the next 200 bps of earnings, and • a 20/80 utility/customer split for any earnings over 400 bps
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	• 2024: Based on the GCOC formula excluding impact of ECM • 2025-2028: Based on the GCOC formula
Quantification and Tracking of Efficiencies	Utility must report a select set of operational metrics annually to the AUC

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 ERA 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 (GCOC) Proceeding

On October 9, 2023, the AUC issued its decision with respect to the GCOC parameters for 2024 and beyond. The AUC has approved the use of a formula for setting ROE rates and set the equity thickness at 37 per cent for Alberta Utilities.

The established starting point ROE, which will serve as the base in the annual formula, is set at 9 per cent and the formula will take into account two variables; changes in 30-year Government of Canada Bond Yields and changes in utility spreads. The AUC will update the ROE annually and issue the following year's ROE in November of the current year. On November 20, 2023, the AUC issued its decision with respect to the 2024 ROE with the rate being set at 9.28 per cent.

Second Generation Performance Based Regulation Reopeners

On June 30, 2023, the AUC initiated a proceeding for Electricity Distribution and Natural Gas Distribution as the reopener clause was triggered by both utilities in 2022, the final year of the PBR2. The PBR2 reopener thresholds were triggered if a utility's earnings are +/- 500 basis points from the approved ROE in one year or +/- 300 basis points from the approved ROE in two consecutive years. In this proceeding, the AUC will determine whether a reopener and any adjustment of Electricity Distribution and Natural Gas Distribution's 2018 to 2022 plans are required. ATCO Gas and ATCO Electric were the only utilities in Alberta to lower rates in 2023 due to efficiencies being passed onto to customers.

Similar to the first generation of PBR, the increase in earnings in the second generation of PBR was a direct result of management’s response to the incentive to implement efficiency improvements and not due to a flaw in the PBR framework.

Electricity Distribution

Alberta Court of Appeal ATCO Electric Distribution Fort McMurray Wildfire Decision

The Alberta Court of Appeal issued a favourable decision in the second quarter of 2023 in connection with the Fort McMurray (Wood Buffalo) wildfire, which resulted in the AUC issuing its decision in December 2023 permitting ATCO Electric to include the net book value of its electric distribution assets destroyed in the Wood Buffalo fire within rate base.

The AUC accepted that, in the circumstances of the Wood Buffalo fire, isolating and directing the removal of the entirety of the net book value of the destroyed assets had the effect of rescinding the reasonable opportunity previously afforded to ATCO Electric to recover these costs, and did so for reasons beyond ATCO Electric’s control. As a result, permitting recovery of the costs results in a just and reasonable tariff.

In addition to the reversal of the original disallowance of $3 million recognized in the second quarter of 2019, ATCO Electric will be recovering the lost return and associated carrying costs from 2018-2023 of $2 million in 2024.

Electricity Transmission

ATCO Electric Transmission 2018-2021 Deferral Application

On April 26, 2023, the AUC issued a decision regarding ATCO Electric’s 2018–2021 Deferral Application for the disposal of its 2018–2021 transmission deferral accounts and annual filing adjustment balances. While the decision received from the AUC denied recovery of forgone return related to certain cancelled projects and some capital additions, it approved the majority of additions to rate base.

ATCO Electric Transmission 2023-2025 General Tariff Application (GTA)

On May 19, 2022, ATCO Electric Transmission filed a GTA for its operations for the 2023-2025 period. A comprehensive negotiated settlement was reached in December 2022 with all of the participating interveners and an application was filed with the AUC in January 2023. On May 5, 2023, the AUC approved the negotiated settlement agreement in its entirety.

Natural Gas Transmission

2024 - 2026 General Rate Application (GRA)

On July 31, 2023 ATCO Pipelines filed a GRA requesting approval of revenue requirements related to operational and maintenance costs as well as capital expenditures needed over the 2024-2026 period. A comprehensive negotiated settlement was reached with all participating interveners in December 2023 and was filed with the AUC on January 5, 2024. The GRA also requested new deferral accounts which will be reviewed and litigated through a separate process. A decision from the AUC is expected in the second quarter of 2024.

International Natural Gas Distribution

Access Arrangement 6 (AA6)

ATCO Gas Australia lodged its initial AA6 submission with the ERA on September 1, 2023. The submission detailed expenditure plans for the period January 1, 2025 to December 31, 2029. The ERA are in the process of preparing their draft decision, which is expected in late April or early May 2024. It is anticipated that the AA6 process will conclude with the ERA's Final Decision published in the fourth quarter of 2024.

ATCO EnPower

REVENUES

ATCO EnPower revenues of $89 million in the fourth quarter of 2023 were $5 million lower compared to the same period in 2022 mainly due to lower demand for natural gas storage services resulting from warmer weather, partially offset by revenues from the Forty Mile and Adelaide wind assets acquired in January 2023 and solar assets energized in 2023.

ATCO EnPower revenues of $362 million in the full year of 2023 were $50 million higher compared to the same period in 2022 mainly due to revenues from the Forty Mile and Adelaide wind assets acquired in January 2023 and solar assets energized in 2023. Higher revenues were partially offset by loss of revenues attributable to non-regulated electricity and natural gas transmission activities, which were recorded under ATCO Energy Systems in 2023.

ADJUSTED EARNINGS

	Three Months Ended December 31			Year Ended December 31		
($ millions)	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
Electricity Generation (1)	**6**	(4)	10	**19**	3	16
Storage & Industrial Water (1)	**11**	9	2	**31**	32	(1)
Total ATCO EnPower (2)	**17**	5	12	**50**	35	15

(1) Non-GAAP financial measures. See "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) Total of segments measure. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Equity Owners of the Company" in this MD&A.

ATCO EnPower adjusted earnings of $17 million and $50 million in the fourth quarter and full year of 2023 were $12 million and $15 million higher than the same periods in 2022 mainly due to additional earnings from the Forty Mile and Adelaide wind assets acquired in 2023, earnings from the solar assets energized in 2023, a non-recurring recovery in the fourth quarter of 2023, and higher project development costs incurred in 2022, largely in Australia. Higher earnings were partially offset by the loss of earnings attributable to non-regulated electricity and natural gas transmission activities which were recorded under ATCO Energy Systems in 2023. Full year 2023 earnings were also partially offset by engine repairs at the Karratha facility in Australia and an insurance recovery received in the second quarter of 2022.

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

Electricity Generation

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

Electricity Generation adjusted earnings of $6 million and $19 million in the fourth quarter and full year of 2023 were $10 million and $16 million higher compared to the same periods in 2022 mainly due to additional earnings from the Forty Mile and Adelaide wind assets acquired in January 2023, earnings from solar assets energized in 2023 and project development costs incurred in Australia in the fourth quarter of 2022. Full year 2023 earnings were partially offset by engine repairs at the Karratha facility in Australia and an insurance recovery received in the second quarter of 2022.

The following table compares ATCO EnPower's renewable portfolio performance in Canada over the four quarters ended December 31, 2023.

	Q1 2023	Q2 2023	Q3 2023	Q4 2023
Capacity Share [(1)] *(MW)*	283	283	320	359
Average Availability (%)	91	94	92	92
Generation (*MWh*)	207,520	205,754	190,442	235,352
Average Realized Price *($)*	106	100	99	79

(1) Capacity share represents the percentage of the nameplate capacity owned by ATCO EnPower.

The quarter-over-quarter growth of the renewable portfolio in Canada is the result of continued strategic expansion starting with the acquisition in January 2023 and achievement of commercial operations on our Barlow, Deerfoot, and Empress solar assets during the year. Since acquiring the renewable energy portfolio in January 2023, the Forty Mile and Adelaide wind assets have contributed revenues of $65 million for the year ended December 31, 2023. Uprating work continues for the Forty Mile wind assets with expected completion in the first quarter of 2024. Upon reaching commercial operations during the year, the solar assets have also contributed revenues of $8 million for the year ended December 31, 2023.

The average realized price related to the renewable portfolio has decreased from an average of $106 per MWh in the first quarter to an average of $79 per MWh in the fourth quarter due to lower capture prices on merchant generation. Merchant generation decreased throughout the year as we increased the percentage of contracted generation in response to expected lower merchant pricing and as we advanced project financings with contracted offtakers on certain assets. Despite achieving average availability of 92 per cent during the year, generation from the renewable portfolio was also impacted in the second and third quarters of 2023 from lower wind generation than expected. However, overall generation increased during the year as the Barlow, Deerfoot and Empress solar assets achieved commercial operations.

Storage & Industrial Water

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

Storage & Industrial Water adjusted earnings of $11 million in the fourth quarter of 2023 were $2 million higher compared to the same period in 2022 mainly due to a non-recurring recovery in the fourth quarter of 2023. Higher earnings were partially offset by loss of earnings attributable to non-regulated natural gas transmission activities which were recorded under ATCO Energy Systems in 2023.

Storage & Industrial Water adjusted earnings of $31 million in the full year of 2023 were $1 million lower compared to the same period in 2022 mainly due to increased operating costs, and the loss of earnings attributable to non-regulated natural gas transmission activities which were recorded under ATCO Energy Systems in 2023, partially offset by a non-recurring recovery in the fourth quarter of 2023.

ATCO ENPOWER 2023 OVERVIEW

Canada

Chiniki and Goodstoney First Nations Equity Partnership

In September 2023, the Chiniki and Goodstoney First Nations and Canadian Utilities announced a partnership agreement for the Deerfoot and Barlow solar projects, the largest solar installation in an urban centre in Western Canada. Under the terms of the agreement, the Chiniki and Goodstoney First Nations have become the majority owners with a 51 per cent ownership stake in the facilities. The 27-MW Barlow project and 37-MW Deerfoot project reached commercial operations in the second and third quarters, respectively, of 2023.

Lafarge Canada Inc. (Lafarge) Power Purchase Agreement

In September 2023, Canadian Utilities entered into a 12.5-year virtual power purchase agreement with Lafarge. Under the terms of the agreement, Lafarge's Exshaw cement plant will notionally purchase 100 per cent of the solar power generated from the 39-MW Empress solar project. The Empress solar project achieved commercial operations in the fourth quarter of 2023.

Heartland Hydrogen Hub Project

In the second quarter of 2023, Suncor Energy Inc. (Suncor) provided notice of its intention to withdraw from the hydrogen production facility project. This has not changed our commitment to the project. The project has significant potential to supply hydrogen to domestic and international markets, including the Alberta gas grid, industrial, municipal, and commercial transport users.

We continue to work with supportive Federal and Provincial governments to establish policy and frameworks that facilitate investment in the Canadian hydrogen economy, along with other parties to further the development and commercial success of this project.

The Design Basis Memorandum is complete and we are targeting to bring in a strategic operating partner by the third quarter of 2024 with the goal to sanction Front-End Engineering Design in 2024 to begin working towards a final investment decision in 2025.

Renewable Energy Portfolio Acquisition

On January 3, 2023, Canadian Utilities closed the acquisition of renewable assets from Suncor. The acquisition includes a majority interest in the 40-MW Adelaide wind facility in Ontario, the 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.

Concurrent with the close of this acquisition, Canadian Utilities entered into a 15-year renewable power purchase agreement with Microsoft Corporation (Microsoft) beginning July 1, 2023. Under the terms of the agreement, Microsoft will purchase 150-MW of renewable energy generated by Canadian Utilities' 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 until January 2035.

Australia

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

Osborne Power Purchase Agreement (PPA) Extension

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

Corporate & Other segment includes Retail Energy and Rümi through ATCOenergy which provides retail electricity and natural gas services, home products, home maintenance services and professional home advice in Alberta. Corporate & Other 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. Corporate & Other also includes CU Inc. and Canadian Utilities preferred share dividend and debt expenses.

REVENUES

Corporate & Other revenues of $33 million and $260 million in the fourth quarter and full year of 2023 were $78 million and $92 million lower compared to the same periods in 2022 mainly due to lower prices for retail electricity and natural gas in ATCOenergy.

ADJUSTED EARNINGS

	Three Months Ended December 31			Year Ended December 31		
($ millions)	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
Canadian Utilities Corporate & Other [1]	**(16)**	(14)	(2)	**(98)**	(94)	(4)

(1) Total of segments measure. See"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, Corporate & Other adjusted earnings in the fourth quarter and full year of 2023 were $2 million and $4 million lower compared to the same periods in 2022 mainly due to the impact of the Preferred Dividend Rate reset in June 2022, partially offset by improved earnings at ATCOenergy resulting from customer growth.

2023 OVERVIEW

Branding Initiative

In 2023 we launched two new brands; ATCO Energy Systems is our new global brand for our gas and electrical utility services business, which also oversees our interest in LUMA Energy, and ATCO EnPower is our new global brand for our non-regulated energy business, including renewables, clean fuels, and energy storage.

The branding initiative does not impact our reporting segments within our external documents.

Executive Appointments

Effective July 1, 2023, Wayne Stensby was appointed to Chief Operating Officer of ATCO Energy Systems and Bob Myles was appointed to Chief Operating Officer of ATCO EnPower.

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

On January 19, 2024, the Company announced the retirement of Executive Vice President and Chief Financial Officer, Brian P. Shkrobot, effective March 1, 2024. Concurrently, it was announced that with the support of the Canadian Utilities' Board of Directors, Katie Patrick, Executive Vice President, Chief Financial & Investment Officer, ATCO, will broaden her portfolio to include Chief Financial Officer for Canadian Utilities effective March 1, 2024.

SUSTAINABILITY, CLIMATE CHANGE AND ENERGY TRANSITION

Within the ATCO group of companies, 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 Canadian Utilities' ultimate parent company, ATCO.

SUSTAINABILITY REPORTING AND ESG TARGETS

Our 2023 Sustainability Report, to be published in May 2024, focuses on the following material topics:

- Energy Transition and Environment - energy transition and climate change, GHG emissions, and land use and biodiversity;
- Resilience and Safety - system reliability and availability, emergency preparedness and response, employee safety and well-being, public health and safety, and cybersecurity;
- People and Partners - Indigenous relations, economic opportunities and reconciliation, community engagement and investment, customer experience and satisfaction, human capital development, retention, and attraction, and diversity, equity and inclusion; and
- Governance and Responsible Business – corporate governance, business ethics, government relations and political advocacy, and responsible supply chain.

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

The Sustainability Report is based upon the internationally recognized Global Reporting Initiative Standards, the Sustainability Accounting Standards Board, the Financial Stability Board's Task Force on Climate-related Financial Disclosures' (TCFD) recommendations, and the new IFRS International Sustainability Standards Board (ISSB) Standards.

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

CLIMATE CHANGE AND ENERGY TRANSITION

To support the energy transition and 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.

Details on 2023 energy transition developments are included in the "Business Unit Performance" section in this MD&A.

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 Electricity generation conversions present opportunities for transmission and distribution infrastructure investment Electricity grid modernization Hydrogen economy development	Active participation in policy development, industry groups, and regulatory discussions Business diversification Removal of coal-fired electricity generation from our portfolio in 2019 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, 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	Climate change resiliency efforts Emergency Response & Preparedness plans and training

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.

Government of Canada Zero-Emission Vehicle Mandate/Regulations

On December 19, 2023, the Government of Canada finalized the new Electric Vehicle Availability Standard to increase the supply of clean, zero-emission vehicles available to Canadians. The Standard will require that Canada achieve a national target of 100 per cent zero-emission vehicle sales by 2035, with interim targets of at least 20 per cent of all sales by 2026, and at least 60 per cent by 2030, with increases each year. In addition, companies can earn one credit — which can be banked or traded — for every $20,000 invested in fast-charging station infrastructure projects.

Government of Canada Methane Regulations

On December 4, 2023, the Government of Canada announced proposed amendments to federal methane regulations. The proposal is designed to build on existing commitments and now aims to achieve a 75 per cent reduction in oil and gas sector methane emissions by 2030. The existing methane regulation aimed to achieve a 40-45 per cent reduction in methane emissions by 2025. This regulation would apply to onshore upstream, midstream, and transmission oil and gas facilities. The proposed amendments expand the current coverage and stringency levels of the regulations as well as expanding fugitive emissions management and other requirements to manage emissions from equipment. The proposal introduces a performance-based compliance option designed to focus on emissions outcomes, rather than prescribing a specific action for compliance.

Government of Canada Clean Electricity Regulations

On August 19, 2023, the Government of Canada released draft Clean Electricity Regulations (CER) aimed at achieving net-zero emissions from Canada's electricity grid by 2035. If implemented, the draft regulations would take effect on January 1, 2025, and apply to grid-connected fossil fuel generation units of 25 MW or greater. Some of the key terms of the draft regulations include (i) a carbon intensity cap (prohibition) of 30 tonnes CO2/GWh, that applies if any net electricity is delivered to the grid; (ii) the intensity cap would apply to generating units at their end of prescribed life, defined as 20 years after commission date; and (iii) generating units may emit up to 150 kilotonnes of CO2 in a calendar year if operating for 450 hours or less during that calendar year. The minister may also issue exemptions for emergency situations.

Government of Canada Federal Budget 2023

Building on 2022 clean energy and investment tax credit (ITC) announcements, the 2023 Canadian Federal Budget (Budget 2023) released on March 28, 2023 and updated November 28, 2023, provided further details including:

- Clean Technology ITC – a 30 per cent refundable tax credit in clean technologies and expanded to include certain property and additional geothermal equipment.
- Clean Hydrogen ITC – a 15 to 40 per cent refundable tax credit available on eligible equipment for projects that produce hydrogen from electrolysis or natural gas with emissions that are abated using Carbon Capture Utilization and Storage (CCUS).
- Clean Electricity ITC – a 15 per cent refundable tax credit for investments in non-emitting electricity generation systems (i.e., solar, wind, hydro, nuclear), abated natural gas-fired electricity generation, electricity storage systems, and equipment used for transmission of electricity between provinces and territories.
- Clean Technology Manufacturing ITC – a 30 per cent refundable tax credit for the capital costs of machinery and equipment used in manufacturing of renewable energy equipment (i.e., solar, wind, geothermal), nuclear energy equipment, grid-scale electrical storage equipment, zero-emission vehicles, batteries, fuel cells, recharging systems for vehicles, and hydrogen production equipment.
- Carbon Capture, Utilization and Storage ITC – a 37.5 to 60 per cent refundable tax credit for assets used to capture, store, and reuse CO2.

For expenditures that qualify under more than one ITC program, only one credit may be claimed in respect of the relevant piece of property or equipment. There are many details still pending for the different programs announced.

Carbon Pricing/Output-Based Pricing Systems

Announced in January 2023, the carbon price in Canada increased from $50 to $65 per tonne, beginning April 2023. 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.

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 GHGs 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.

Alberta Minister of Affordability and Utilities Renewable Electricity Generation Projects Approval Pause

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

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.

OTHER EXPENSES AND INCOME

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

	Three Months Ended December 31			Year Ended December 31		
($ millions)	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
Operating costs	**442**	673	(231)	**1,816**	2,273	(457)
Depreciation, amortization and impairment	**211**	174	37	**725**	642	83
Earnings from investment in joint ventures	**18**	22	(4)	**66**	76	(10)
Net finance costs	**105**	92	13	**406**	371	35
Income tax expense	**46**	43	3	**198**	199	(1)

OPERATING COSTS

Operating costs, which are total costs and expenses less depreciation, amortization and impairment, decreased by $231 million in the fourth quarter of 2023 compared to the same period in 2022. Lower operating costs were mainly due to higher unrealized and realized gains on derivative financial instruments and lower energy costs in ATCOenergy, and lower franchise fees within the Natural Gas Distribution business. Lower operating costs were partially offset by ongoing operational expenses, technology costs, and increased flow-through costs.

Operating costs decreased by $457 million in the full year of 2023 compared to the same period in 2022 mainly due to the factors outlined above. Lower operating costs were partially offset by legal and other costs related to the Wipro Ltd. (Wipro) Master Services Agreements (MSAs) matter that was concluded on February 26, 2023.

DEPRECIATION, AMORTIZATION AND IMPAIRMENT

Depreciation, amortization and impairment increased by $37 million and $83 million in the fourth quarter and full year of 2023 compared to the same periods in 2022 mainly due to the Forty Mile and Adelaide wind assets acquired in January 2023 in the ATCO EnPower business, and ongoing investment in the Regulated Utilities. Additionally, an impairment of certain computer software assets not expected to be used in the business was recognized in the fourth quarter of 2023, and an impairment of certain electricity generation assets that had been removed from service as they were determined to have no remaining value was recognized in the second quarter of 2023.

EARNINGS FROM INVESTMENT IN JOINT VENTURES

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

Earnings from investment in joint ventures decreased by $4 million and $10 million in the fourth quarter and full year of 2023 compared to the same periods in 2022 mainly due to a reversal of an impairment of an investment in the fourth quarter of 2022 in ATCO EnPower.

NET FINANCE COSTS

Net finance costs increased by $13 million and $35 million in the fourth quarter and full year of 2023 compared to the same periods in 2022 mainly due to higher interest expense as a result of external financing related to the acquisition of the renewable energy portfolio, partially offset by higher interest income from cash investments.

INCOME TAX EXPENSE

Income taxes were higher by $3 million in the fourth quarter of 2023 compared to the same period in 2022 due to higher IFRS earnings before income taxes primarily driven by higher unrealized and realized gains on derivative financial instruments, partially offset by prior year non-deductible items.

Income taxes in the full year of 2023 were comparable to the same period in 2022.

LIQUIDITY AND CAPITAL RESOURCES

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

CREDIT RATINGS

The following table shows the credit ratings assigned to Canadian Utilities, CU Inc. and ATCO Gas Australia at December 31, 2023.

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

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

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

On March 17, 2023, Fitch Ratings affirmed its 'A-' issuer rating with a stable outlook on both Canadian Utilities and CU Inc.

On March 27, 2023, S&P Global Ratings affirmed Canadian Utilities' subsidiary ATCO Gas Australia's 'BBB+' issuer credit rating and stable outlook.

At our request, on July 12, 2023, S&P Global Ratings withdrew its 'BBB+' long-term issuer credit ratings and all related debt issue ratings on Canadian Utilities, and its ‘A-‘ issuer credit rating and all related debt issue ratings on CU Inc. S&P will continue to rate ATCO Gas Australia on a standalone basis as an insulated subsidiary. Going forward, Fitch and DBRS will continue to rate Canadian Utilities and CU Inc.

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

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

LINES OF CREDIT

At December 31, 2023, Canadian Utilities and its subsidiaries had the following lines of credit.

($ millions)	Total	Used	Available
Long-term committed	**2,388**	689	1,699
Short-term committed	**316**	316	—
Uncommitted	**650**	274	376
Total	**3,354**	1,279	2,075

Of the $3,354 million in total lines of credit, $650 million was in the form of uncommitted credit facilities with no set maturity date. The other $2,704 million in credit lines was committed with maturities between 2024 and 2027, and may be extended at the option of the lenders.

Of the $1,279 million in lines of credit used, $643 million was related to ATCO Gas Australia. Long-term committed credit lines are used to satisfy all of ATCO Gas Australia's term debt financing needs. The majority of the remaining usage is related to the funding of the renewable energy portfolio acquisition in ATCO EnPower and the issuance of letters of credit.

CONSOLIDATED CASH FLOW

At December 31, 2023, the Company's cash position was $207 million, a decrease of $491 million compared to December 31, 2022. Major movements are outlined in the following table:

	Three Months Ended December 31			Year Ended December 31		
($ millions)	2023	2022	Change	2023	2022	Change
Cash position, beginning of period	**417**	911	(494)	**698**	750	(52)
Cash from (used in):						
Operating activities	**483**	608	(125)	**1,780**	2,140	(360)
Investing activities	**(374)**	(441)	67	**(2,253)**	(1,256)	(997)
Financing activities	**(320)**	(376)	56	**(19)**	(932)	913
Foreign currency translation	**1**	(4)	5	**1**	(4)	5
Cash position, end of the period	**207**	698	(491)	**207**	698	(491)

Operating Activities

Cash flows from operating activities were $483 million in the fourth quarter of 2023, $125 million lower than the same period in 2022 mainly due to lower cash flows from ATCOenergy caused by timing of payables in 2022, the timing of certain revenue and expenses, partly offset by the impact of the acquisition of the Forty Mile and Adelaide wind assets.

Cash flows from operating activities were $1,780 million in the full year of 2023, $360 million lower than the same period in 2022. This decrease was mainly due to lower prices for retail electricity and natural gas in ATCOenergy and, lower cash flows in 2023 resulting from the recovery of the 2021 deferral of rate increases in 2022 in the Electricity Distribution and Natural Gas Distribution businesses, partly offset by the acquisition of the Forty Mile and Adelaide wind assets.

Investing Activities

Cash flows used in investing activities were $374 million in the fourth quarter of 2023, $67 million lower than the same period in 2022 mainly decreased capital spending in ATCO EnPower as the Carbon natural gas storage expansion project was completed and the Barlow, Deerfoot and Empress solar projects reached commercial operations throughout 2023, partially offset by timing of capital expenditures in ATCO Energy Systems.

Cash used in investing activities were $2,253 million in the full year of 2023, $997 million higher than the same period in 2022 mainly due to the 2023 acquisition of the Forty Mile and Adelaide wind assets, and the 2023 investments in marketable securities.

A reconciliation of capital investment to capital expenditures and information pertaining to marketable securities is summarized below.

Cash Used for Capital Investment[1] and Capital Expenditures

Capital investment and capital expenditures for the fourth quarter and full year of 2023 and 2022 are shown in the following table.

	Three Months Ended December 31			Year Ended December 31		
($ millions)	2023	2022	Change	2023	2022	Change
ATCO Energy Systems						
Electricity	**180**	199	(19)	**630**	566	64
Natural Gas	**179**	185	(6)	**583**	571	12
	359	384	(25)	**1,213**	1,137	76
ATCO EnPower	**34**	64	(30)	**139**	234	(95)
CU Corporate & Other	**1**	4	(3)	**8**	12	(4)
Canadian Utilities Total Capital Expenditures (1) (2)	**394**	452	(58)	**1,360**	1,383	(23)
Capital Expenditures in joint ventures						
ATCO Energy Systems						
Electricity	**4**	1	3	**6**	5	1
ATCO EnPower	**3**	—	3	**7**	6	1
Business Combination						
ATCO EnPower	**—**	—	—	**691**	—	691
Canadian Utilities Total Capital Investment (3)	**401**	453	(52)	**2,064**	1,394	670

(1) Includes additions to property, plant and equipment, intangibles and $6 million and $21 million (2022 - $4 million and $14 million) of capitalized interest during construction for the fourth quarter and full year of 2023.

(2) Includes $22 million and $127 million for the fourth quarter and full year of 2023 (2022 - $26 million and $178 million) of capital expenditures, mainly in ATCO Energy Systems, that were funded with the assistance of customer contributions and government grants.

(3) Non-GAAP financial measure. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Capital Investment to Capital Expenditures" in this MD&A.

Total capital investment of $401 million in the fourth quarter of 2023 was $52 million lower compared to the same period in 2022 mainly due to decreased capital spending within the ATCO EnPower segment as the Carbon natural gas storage facility expansion project was completed and the Barlow, Deerfoot and Empress Solar projects reached commercial operations throughout 2023.

Total capital investment of $2,064 million in the full year of 2023 was $670 million higher compared to the same period in 2022 mainly due to the first quarter 2023 acquisition of the renewable energy portfolio in the ATCO EnPower segment.

Total capital expenditures of $394 million and $1,360 million in the fourth quarter and full year of 2023 were $58 million and $23 million lower compared to the same periods in 2022 mainly due to decreased capital spending within ATCO EnPower as the Carbon natural gas storage facility expansion project was completed and the Barlow, Deerfoot and Empress Solar projects reached commercial operations throughout 2023, partially offset by ongoing capital investment in the Regulated Utilities in the full year of 2023.

Marketable Securities

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

The marketable securities investments are measured at fair value. Realized gains, primarily representing interest income received of $3 million and $7 million, were recorded in the fourth quarter and full year of 2023. Unrealized gains, representing periodic temporary fluctuations in fair value measurement of $5 million and $3 million, were recognized in other costs and expenses in the fourth quarter and full year of 2023.

[1] *Non-GAAP financial measure. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Capital Investment to Capital Expenditures" in this MD&A*.

Financing Activities

Cash flows used in financing activities were $320 million in the fourth quarter of 2023, $56 million lower than the same period in 2022 mainly due to an increase in long-term debt issuances partially offset by higher repayment of debt.

Cash flows used in financing activities were $19 million in the full year of 2023, $913 million lower than the same period in 2022 mainly due to an increase in net proceeds from long-term debt issuance, most of which was used to finance the 2023 acquisition of renewable energy portfolio of assets in ATCO EnPower, and lower repayments of short-term debt.

Information pertaining to financing activities is summarized below.

Dividends and Common Shares

We have increased our common share dividend each year since 1972, a 52-year track record. Dividends paid to Class A and Class B share owners totaled $112 million net of dividends reinvested in the fourth quarter of 2023 and $458 million in the full year of 2023.

On January 11, 2024, the Board of Directors declared a first quarter dividend of 45.31 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.

Debenture Issuance

On September 20, 2023, Canadian Utilities' subsidiary CU Inc. issued $340 million of 5.088 per cent 30-year debentures. Proceeds from the issue are being used to finance capital expenditures and for other general corporate purposes.

Other Debt Issuances

On January 3, 2023, Canadian Utilities entered into an unsecured non-revolving credit facility, consisting of two $355 million tranches to finance the acquisition of a portfolio of wind and solar assets and projects. The first $355 million tranche matured on June 30, 2023. The second tranche matures on July 3, 2024 and with a payment made in December 2023 there is now $68 million remaining. Both tranches bear an interest rate of Canadian Dollar Overnight Rate (CDOR) plus an applicable margin.

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

On June 30, 2023, Canadian Utilities issued $268 million additional long-term debt from an existing unsecured extendible revolving credit facility with a syndicate of lenders. The facility matures on November 30, 2025, and bears an interest rate at Canadian Overnight Repo Rate Average (CORRA) plus an applicable margin.

In July 2023, the Deerfoot Barlow Solar Limited Partnership, an indirect subsidiary of Canadian Utilities, completed a credit agreement for limited recourse project-level debt of up to $78 million with an interest rate of 3.0 per cent. As well, a funding agreement was reached for up to $13 million non-repayable grant funding. In the fourth quarter of 2023, $56 million of debt and $9 million of grant funding was received. Subsequent to year-end, in January 2024, an additional $13 million of debt and $2 million of grant funding was received, with additional funds expected in the second quarter of 2024.

On December 4, 2023, Forty Mile Granlea Wind Limited Partnership (Forty Mile), an indirect wholly-owned subsidiary of Canadian Utilities, issued multiple series of senior secured project bonds for aggregate gross proceeds of $292 million. The project bonds are secured by the assets of the borrower. The series of bonds mature on September 30, 2033 and June 30, 2046 carrying a weighted average fixed interest rate of 5.963 per cent.

Debenture Repayments

On May 1, 2023, Canadian Utilities' subsidiary, CU Inc., repaid $100 million of 9.4 per cent debentures upon maturity.

Future Financing Alternatives

Significant opportunities for growth continue to be expected in connection with the energy transition, including existing and new opportunities within both ATCO Energy Systems and ATCO EnPower. To support this potential growth, Canadian Utilities intends to explore various financing alternatives. In the short-term we are considering partnership options. In the long-term we will continue to evaluate both private and public sources of funding. We are also considering the possibility of creating ATCO EnPower as a separate entity.

Normal Course Issuer Bid (NCIB)

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

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

Dividend Reinvestment Plan (DRIP)

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

In the fourth quarter of 2023, Canadian Utilities issued 315,142 Class A shares under the DRIP using re-invested dividends of $10 million.

In the full year of 2023, Canadian Utilities issued 828,033 Class A shares under the DRIP using re-invested dividends of $27 million.

Base Shelf Prospectus - Canadian Utilities

On September 14, 2023, the Company filed a short-form base shelf prospectus that permits it to issue Class A non-voting shares, preferred shares, and debt securities over the 25-month life of the prospectus.

Cash Requirements

Contractual financial obligations and other commitments for the next five years and thereafter are shown below:

($ millions)	2024	2025	2026	2027	2028	2029 and thereafter
Financial Liabilities						
Accounts payable and accrued liabilities	820	–	–	–	–	–
Long-term debt:						
Principal	528	447	348	21	148	9,101
Interest expense (1)	460	445	411	400	395	6,867
Derivatives (2)	49	20	9	5	1	24
	1,857	912	768	426	544	15,992
Commitments						
Purchase obligations:						
Operating and maintenance agreements	541	477	461	427	398	390
Capital expenditures	335	–	–	–	–	–
Other	62	22	6	6	6	6
Other commitments	10	10	8	1	1	3
	948	509	475	434	405	399
Total	2,805	1,421	1,243	860	949	16,391

(1) Interest payments on floating rate debt have been estimated using rates in effect at December 31, 2023. 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, 2023.

SHARE CAPITAL

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

At February 27, 2024, we had outstanding 204,327,728 Class A shares, 66,598,854 Class B shares, and options to purchase 2,535,850 Class A shares.

On December 15, 2023, Canadian Utilities completed an exchange proposal (the Arrangement) to holders (Non-Controlling Holders) of Class B shares other than ATCO and certain of its related parties. The Arrangement was completed by way of a statutory plan of arrangement under the Canada Business Corporations Act. Under the terms of the Arrangement, each Class B share held by a Non-Controlling Holder was exchanged for 1.1 Class A shares of Canadian Utilities. Following completion of the Arrangement, the only remaining holders of Class B shares were ATCO and certain of its related parties, and the Class B shares were delisted from the Toronto Stock Exchange on December 19, 2023.

CLASS A NON-VOTING SHARES AND CLASS B COMMON 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, 10,220,250 Class A shares were available for issuance at December 31, 2023. Options may be granted to officers and key employees of the Company and its subsidiaries at an exercise price equal to the weighted average of the trading price of the shares on the Toronto Stock Exchange for the five trading days immediately preceding the grant date. The vesting provisions and exercise period (which cannot exceed 10 years) are determined at the time of grant.

QUARTERLY INFORMATION

The following table shows financial information for the eight quarters ended March 31, 2022 through December 31, 2023.

($ millions, except for per share data)	Q1 2023	Q2 2023	Q3 2023	Q4 2023
Revenues	1,131	879	812	**974**
Earnings attributable to equity owners of the Company	292	105	125	**185**
Earnings attributable to Class A and B shares	273	86	105	**166**
Earnings per Class A and Class B share *($)*	1.01	0.32	0.39	**0.61**
Diluted earnings per Class A and Class B share *($)*	1.01	0.32	0.39	**0.61**
Adjusted earnings per Class A and Class B share *($)*	0.81	0.37	0.32	**0.71**
Adjusted earnings (loss) [1]				
ATCO Energy Systems [1]	226	119	108	**191**
ATCO EnPower [1]	15	9	9	**17**
Corporate & Other and Intersegment Eliminations [1]	(24)	(28)	(30)	**(16)**
Total adjusted earnings [1]	217	100	87	**192**

($ 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 Class 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) [1]				
ATCO Energy Systems [1]	234	156	135	189
ATCO EnPower [1]	8	10	12	5
Corporate & Other and Intersegment Eliminations [1]	(23)	(30)	(27)	(14)
Total adjusted earnings [1]	219	136	120	180

(1) Total of segments measure. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Equity Owners of the Company" in this MD&A.

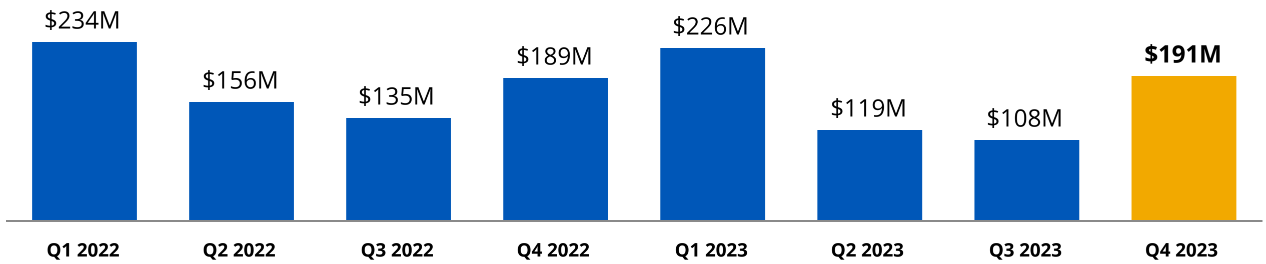
Our financial results for the previous eight quarters reflect the timing of utility regulatory decisions, and the seasonal nature of demand for natural gas and electricity.

ATCO ENERGY SYSTEMS [1]

In the first quarter of 2023, adjusted earnings were lower than the same period in 2022 mainly due to cost efficiencies generated by Electricity Distribution and Natural Gas Distribution over the second generation PBR term now being passed onto customers under the 2023 COS rebasing framework. Lower earnings were partially offset by new cost efficiencies realized in 2023 in Electricity Distribution and Natural Gas Distribution, and the impact of inflation indexing on rate base in 2022 and higher rates and increased system volumes in International Natural Gas Distribution.

In the second and third quarters of 2023, adjusted earnings were lower than the same period in 2022 mainly due to cost efficiencies generated by Electricity Distribution and Natural Gas Distribution over the second generation PBR term now being passed onto customers under the 2023 COS rebasing framework. Earnings were also lower due to the impact of inflation indexing on rate base in 2022 in International Natural Gas Distribution, partially offset by increased system volumes.

In the fourth quarter of 2023, adjusted earnings were higher than the same period in 2022 mainly due to growth in rate base and new cost efficiencies realized in 2023 in Electricity Distribution and Natural Gas Distribution, and lower operating costs in International Electricity Operations.



(1) Adjusted earnings for ATCO Energy Systems is a total of segments measure. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Equity Owners of the Company" in this MD&A.

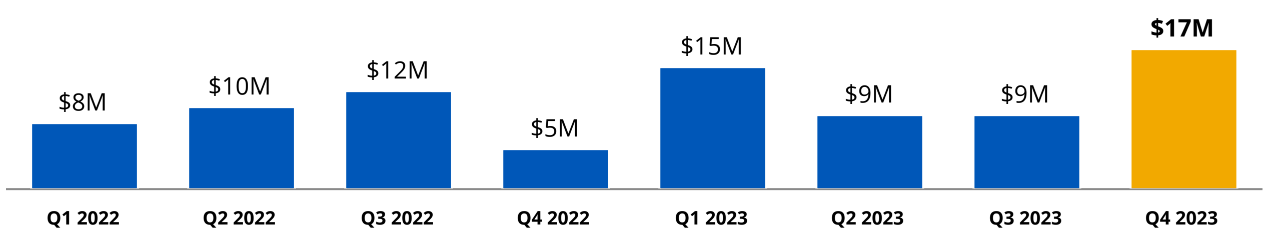
ATCO ENPOWER (1)

In the first quarter of 2023, adjusted earnings were higher than the same period in 2022 mainly due to earnings from the Forty Mile and Adelaide wind assets acquired in January 2023, and higher earnings from the Alberta Hub and Carbon natural gas storage facilities, partially offset by higher project development costs in Australia.

In the second quarter of 2023, adjusted earnings were lower than the same period in 2022 mainly due to the insurance recovery received in the second quarter of 2022 related to the Karratha facility in Australia, the timing of project development costs, and the loss of earnings attributable to non-regulated electricity and natural gas transmission activities which were recorded in ATCO Energy Systems in 2023, partially offset by earnings from the Forty Mile and Adelaide wind assets acquired in January 2023.

In the third quarter of 2023, adjusted earnings were lower than the same period in 2022 mainly due to lower demand for natural gas storage services, partially offset by the timing of project development costs.

In the fourth quarter of 2023, adjusted earnings were higher than the same period in 2022 mainly due to additional earnings from the Forty Mile and Adelaide wind assets acquired in 2023, earnings from the solar assets energized in 2023, a non-recurring recovery in the fourth quarter of 2023, and higher project development costs incurred in 2022, largely in Australia. Higher earnings were partially offset by the loss of earnings attributable to non-regulated electricity and natural gas transmission activities which were recorded in ATCO Energy Systems in 2023.



(1) Adjusted earnings for ATCO EnPower is a total of segments measure. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Equity Owners of the Company" in this MD&A.

EARNINGS ATTRIBUTABLE TO EQUITY OWNERS OF THE COMPANY

Earnings attributable to equity owners of the Company include 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:

- On April 14, 2022, the AUC Enforcement branch and ATCO Electric Transmission filed a settlement with the AUC regarding a sole source contract for the Jasper interconnection project. On June 29, 2022, the AUC issued its decision approving the settlement in its entirety. In the fourth quarter of 2021 and first quarter of 2022, the Company recognized costs of $14 million and $27 million (after-tax), respectively, related to the proceeding.
- To safeguard the health and safety of employees, business partners, customers and communities, the Company required its employees, subject to certain exemptions, to be vaccinated against COVID-19 effective January 1, 2022. Employees who did not demonstrate they were vaccinated or did not have an

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

- On March 31, 2022, the Company and Denendeh Investments Incorporated (DII) entered into a share purchase agreement to increase DII's ownership interest in NUE from 14 per cent to 50 per cent. The transaction resulted in a gain on sale of $5 million (after-tax). Effective March 31, 2022, the Company no longer consolidates NUE as a controlled subsidiary, and instead, accounts for its interest in NUE as an investment in joint venture using the equity method.
- In the fourth quarter of 2022, a reversal of impairment of $4 million (after-tax) was recorded mainly related to ATCO EnPower's joint venture investment in the Osborne electricity cogeneration facility located in South Australia. The reversal resulted from an improvement in the future outlook of power market prices.
- In the first quarter of 2023, the Company recognized legal and other costs of $9 million (after-tax) related to the early termination of the Wipro MSAs for managed IT services. This matter was concluded on February 26, 2023.
- In the second quarter of 2023, the Company recognized an impairment of $8 million (after-tax) relating to certain electricity generation assets in Electricity Transmission. These assets had been removed from service as it was determined that they no longer had any remaining value.
- In the fourth quarter of 2023, the Company recognized an impairment of $36 million (after-tax) of certain computer software assets which are not expected to be used in the Company.

BUSINESS RISKS AND RISK MANAGEMENT

The Board 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. Details regarding business risks, both financial and operational, and our risk management approach are discussed below.

FINANCIAL RISKS

Project Execution / Capital Investment

DESCRIPTION AND CONTEXT

Having multiple growth projects and an aggressive growth strategy could strain the Company's ability to deliver projects on time and on budget. This could lead to financial impacts and missed opportunities. Poorly managed projects could result in project deliverables not being achieved or delivered as expected, which could lead to a loss of market confidence and future partners.

The Company is subject to 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 uncertainty, the pace of energy transition, commodity and environmental attribute price risk, and climate-related risks.

RISK MANAGEMENT APPROACH

The Company attempts to reduce the risks of project delays and cost increases through careful project feasibility, development and management processes, reliable 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 Alberta Electric System Operator 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 uncertainty, the pace of energy transition, commodity and environmental attribute price risk, and climate-related risks by leveraging our competitive advantages and assigning clear accountability and leadership for executing and realizing capital investment. Planned capital investments for ATCO EnPower are based on the following significant assumptions: a diversified approach to business development focused on multiple pillars (energy storage, clean fuels, and 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.

Commodity Price

DESCRIPTION AND CONTEXT

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

ATCO EnPower's 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 ATCO EnPower'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 PPAs, 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.

Financing

DESCRIPTION AND CONTEXT

The Company’s financing risk relates to price volatility and availability of external financing to fund the Company’s 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 the relevant financing costs.

RISK MANAGEMENT APPROACH

To address this risk, the Company manages its capital structure to maintain strong investment grade credit ratings that 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.

Liquidity

DESCRIPTION AND 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 satisfies 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, preferred shares, and common equity. 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, 2023, the Company’s cash position was approximately $0.2 billion and there were available committed and uncommitted lines of credit of approximately $2.1 billion, which can be utilized for general corporate purposes.

Liquidity risk includes contractual financial obligations, which the Company plans to meet with cash flow from operations, existing cash balances and external financing, if necessary. See the "Liquidity and Capital Resources" section of this MD&A for the Company's contractual financial obligations for the next five years and thereafter.

Credit

DESCRIPTION AND 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

The Company reduces cash and cash equivalents credit risk 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.

Foreign Exchange

DESCRIPTION AND 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 unknown fluctuations in exchange rates. Such instruments are used only to manage risk and not for trading purposes. The 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.

Interest Rate

DESCRIPTION AND 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, 2023, the Company had fixed interest rates, either directly or through interest rate swap agreements, on 96 per cent (2022 - 97 per cent) of total long-term debt. Consequently, the Company's 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.

Inflation Risk

DESCRIPTION AND CONTEXT

Inflation has the potential to impact the economies and business environments in which the Company operates. 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.

OPERATIONAL RISKS

Health and Safety

DESCRIPTION AND CONTEXT

The operation of the Company's businesses inherently involves risk to the health and safety of both employees and the public. Such hazards include but are not limited to: the uncontrolled release of substances from our natural gas transmission and distribution systems resulting in blowouts, fires, explosions, or gaseous leaks; and exposure to an unintended release of electrical energy from our transmission and distribution wires system, including contact with an energized circuit, electrical component, or equipment.

The failure to identify or inadequately identify worksite and/or work environment hazards or implement adequate controls may cause loss of life or personal injury.

RISK MANAGEMENT APPROACH

Safety is one of the Company's core values and is the first consideration in everything we do. The Company has controls in place to mitigate these risks through pipeline and facility integrity programs, inspection programs, operator training, emergency response full mobilization and tabletop exercises, mutual aid agreements (with others in industry and municipalities), external awareness and education training through its damage prevention department.

The Company has a number of safety programs, specialized training, detailed work methods and processes to ensure the safety of our employees and contractors as they perform their work duties to help mitigate these risks. From a public safety perspective, the Company participates in a number of public communication campaigns and joint utility working groups and various other public safety activities and campaigns at the regional level.

Cybersecurity

DESCRIPTION AND CONTEXT

The Company's reliance on technology, which supports its information and industrial control systems, is subject to potential cyber-attacks, which may include but are not limited to: unauthorized access of confidential information, outage of critical infrastructure and/or ransomware attacks.

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.

Regulatory

DESCRIPTION AND CONTEXT

The Regulated Utilities are subject to 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 Regulated Utilities are also subject to the potential risk of the regulator disallowing costs incurred. Electricity Distribution and Natural Gas Distribution operate under PBR. Under PBR, the Regulated Utilities' 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 GCOC 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.

Climate Change

DESCRIPTION AND CONTEXT - POLICY RISKS

The Company has operations in several jurisdictions that are subject to emissions regulations, including carbon pricing, output-based performance standards, and other emissions management policies.

The potential of aggressive shifts in government decarbonization policies with limited transitional periods could create risk as well as concerns over the energy transition being completed in an effective, reliable and affordable manner. Future reliability of energy systems has also become a concern for system regulators and operators.

Part of the Company's growth strategy is taking a leadership role in the energy transition and associated projects. A lack of clarity on proposed regulations and funding creates revenue uncertainty for these projects.

RISK MANAGEMENT APPROACH - POLICY RISKS

The Company's exposure to climate change policy risks is mitigated to some extent 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.

The Company is actively and constructively working with all levels of government to ensure the impacts and costs of proposed policy changes and pace of energy transition are identified and understood. Where appropriate, the Company is also working with its peers and industry associations to develop common positions and strategies.

The Company is targeting climate change resilient investments and is working with different levels of government and Indigenous communities on the opportunities, policy needs, market access, and funding requirements for projects that help support climate action.

DESCRIPTION AND 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 vegetation management for electricity transmission and distribution operations, as well as burying power lines in select areas. 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, including robust Wildfire Management Plans. When planning for capital investment or acquiring assets, site specific climate and weather factors, such as flood plain mapping and extreme weather history, are considered. The Company is also exposed to extreme weather events in Puerto Rico, but the risk is limited to operating activities as the Company does not own the transmission and distribution assets located there.

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

Pipeline Integrity

DESCRIPTION AND CONTEXT

Natural Gas Transmission, Natural Gas Distribution and International Gas Distribution have significant pipeline infrastructure. Although the probability of a pipeline failure is very low, the consequences of a failure could 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 Transmission's 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.

Political

DESCRIPTION AND CONTEXT

The Company's operations are exposed to a risk of change in the business environments in which we operate due to political and legislative changes. 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.

Reputation

DESCRIPTION AND CONTEXT

The Company's operations and growth prospects require strong relationships with key stakeholders, including regulators, governments and agencies, Indigenous communities, landowners, and environmental organizations. Inadequately managing expectations and issues important to stakeholders, including those arising during construction of major capital projects and operation of critical energy infrastructure, could affect the Company's reputation as well as have a significant impact on its operations and infrastructure development.

There is risk of non-compliance with the Company's internal policies, including its Code of Conduct, or anti-bribery and anti-corruption laws by the Company's employees, affiliates, independent contractors and/or agents, which may potentially lead to reputational damage, in addition to fines, penalties, or litigation.

Any accusation of poor operational, leadership, or governance actions and/or practices that may be levelled against the Company could create reputational risk for the Company, even in respect of issues or events that are largely outside of our control, including but not limited to: protests, activist activity, sabotage, terrorism, failure of supply, weather, catastrophic events and natural disasters, fires, floods, explosions, earthquakes and other similar events, government policy, economic and/or social circumstances, and/or actions of third parties, which may affect safety or quality of life of citizens.

Customers' monthly utility bills are made up of several components and it can be difficult to isolate the portions between the various rate drivers. This can lead to customer confusion and lack of understanding of the components of the bill and the various drivers of bill increases. Any such confusion may have reputational and/or financial impacts on the Company.

RISK MANAGEMENT APPROACH

To address these risks, the Company has robust frameworks, practices, and training programs for employees in place with respect to operations and maintenance, safety, whistleblower complaints, governance, and community engagement. The Company will continue to ensure a rapid and effective operational response is in place when responding to fires, line strikes, extreme weather events or similar events that may affect our services. The Company prepares communication plans and key messages for customers and media as rate changes are approved by the regulator and ready to be applied to the customers' bills. These plans address the specific reasons and drivers for changes in rates.

The Company's Marketing & Communications team is engaged at the outset on all customer-facing initiatives and issues ensuring information is accurate, clear and concise to minimize negative perception by customers. The Company also allocates resources and personnel to support public consultation around capital work, educational safety campaigns and business development efforts.

The Company has a strong focus on community investment and communications efforts ensuring the Company's commitment to being a positive contributor to our community is demonstrable to the public and our customers.

Operations

DESCRIPTION AND CONTEXT

The Company's operations are subject to the risks normally associated with the operating and development of power systems and facilities, and the storage and transportation of natural gas. These can include, without limitation; mechanical failure, transportation problems, physical degradation, operator error, manufacturer defects, constraints on natural resource development, delay of or restrictions on projects due to climate change policies and initiatives, protests, activist activity, sabotage, terrorism, failure of supply, weather, catastrophic events and natural disasters, fires, floods, explosions, earthquakes, and other similar events. These types of events could result in injuries to personnel, third parties, including the public, damage to property and the environment, as well as unplanned outages or prolonged downtime for maintenance and repair. Among other things, these events typically increase operational and maintenance expenses and reduce revenues. The occurrence or continuation of any of these events could result in significant losses for which insurance may not be sufficient or available. Environmental damage could also result in increased costs to operate and insure the Company's assets and have a negative impact on the Company's reputation and its ability to work collaboratively with stakeholders.

RISK MANAGEMENT APPROACH

To mitigate these risks, the Company has policies and an associated system of standards, processes and procedures to identify, assess and mitigate safety, operational and environmental risks across our operations. In addition, the Company maintains a comprehensive insurance program in respect of our assets and operations. The occurrence of an event that is not fully covered by our insurance program could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Third Party Risk

DESCRIPTION AND CONTEXT

Certain of the Company's assets are jointly owned and are governed by partnership, joint venture, or shareholder agreements entered into with third parties. As a result, certain decisions relating to these assets require the approval of a simple or special majority of the partners or owners, while others require unanimous approval of the owners. In addition, certain of these assets are constructed, maintained, and operated by unrelated third-party entities. The success of these assets is, to some extent, dependent on the effectiveness of the business relationship and decision-making among the Company and the other partner(s) or owner(s) and the expertise and ability of any third-party constructors, material suppliers, consultants and operators to operate and maintain the assets. There can be no assurance that the Company will not encounter disputes with partners or owners or that assets operated by third parties may not perform as expected. Such events could impact operations or cash flows of these assets or cause them to not operate as the Company expects, which could, in turn, have a negative impact on the Company's business operations and financial performance.

RISK MANAGEMENT APPROACH

The Company believes that it has prudent governance and other contractual rights in place, along with robust third-party selection due diligence to help mitigate third party risk, reduce the likelihood of disputes and ensure assets operated by third parties perform as expected.

Technological Transformation and Disruption

DESCRIPTION AND 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.

Indigenous Land Claims and Consultation

DESCRIPTION AND CONTEXT

Indigenous peoples assert and claim, or have established, Aboriginal and/or Treaty rights and/or Aboriginal title in relation to a substantial portion of the lands and waters in Canada and the United States where the Company operates.

There is a risk of project delays and relationship challenges caused by changes to consultation and engagement policies and expectations at the community, provincial and federal levels. In addition, on June 21, 2021, Canada's United Nations Declaration on the Rights of Indigenous Peoples Act (the UNDRIP Act) received Royal Assent and came into force. The UNDRIP Act provides a roadmap for the Government of Canada and Indigenous peoples to work together to implement the United Nations Declaration on the Right of Indigenous Peoples (the UN Declaration) based on lasting reconciliation, healing, and cooperative relations. On June 21, 2023, the United Nations Declaration Act Action Plan (the Action Plan), developed in consultation with Indigenous peoples from across Canada, was released. The implementation of the UNDRIP Act and the Action Plan will contribute to the Government of Canada's continued efforts to break down barriers, combat systemic racism and discrimination, close socio-economic gaps, and promote greater equality and prosperity for Indigenous peoples. The impact of the UNDRIP Act and the Action Plan and how they will be implemented and interpreted as part of Canadian law is still unknown, and therefore the Company is unable to assess the effect, if any, that any land claims, consultation requirements with Indigenous peoples or the implementation of the UNDRIP Act and the Action Plan may have on the Company's business; however, the impact could have a material adverse effect on the Company's operations.

ATCO, Canadian Utilities' parent company, has a long history of successful partnerships with Indigenous communities with over 40 current partnerships, however, more effort needs to be undertaken to truly engage and include Indigenous communities into the economy. Indigenous communities throughout the areas of Canada where the Company operates have indicated their desire for this inclusion and participation in energy infrastructure ownership.

RISK MANAGEMENT APPROACH

As this is an emerging issue, the Company continues to evaluate the risks and opportunities. It is evident to the Company that the desire for Indigenous energy autonomy and ownership is increasing, so it is imperative that the Company evaluates options, educates key parties on the regulatory, financial and operational risks, and determines our stance and goals for these engagements. The Company views a proactive approach as our best strategy to continue to be front runners in the Indigenous equity space and to outpace Government of Canada expectations.

Workforce Retention

DESCRIPTION AND CONTEXT

Should the Company face a low level of retention in its workforce, especially within critical roles, this could result in a shortage of personnel that may hamper Company operations and negatively impact the ability of the Company to meet its business objectives.

RISK MANAGEMENT APPROACH

The Company's investment in our people provides an attractive environment that fosters retention. The Company continuously reviews and enhances its people resourcing and management strategy. This includes enhancing our branding and highlighting our Company values, building strong partnerships with educational institutions to attract new graduates and co-operative education students, aligning total rewards, including compensation, benefits, pension and employee share purchase programs, with market practice, 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 training for leaders and individual development programs for all employees. The annual performance management program facilitates discussions on annual goals, development plans and career planning.

To promote a culture of inclusiveness we have established an active Diversity, Equity and Inclusion (DE&I) Council and a Well-being@ATCO program, and 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, in which 90 per cent of our employees participated in 2023. Results are reviewed to inform areas of risk and engagement action plans are developed by leaders to address risks. As a result, the Company's retention rates continue to be at or higher than global benchmarks in a majority of the industries in which we operate.

Labour Relations

DESCRIPTION AND CONTEXT

Most of the Company's business units employ members of associations or labour unions under collective bargaining agreements. Should any developments result in a strained relationship with any of our associations and/or labour unions and/or work interruptions involving the Company's workforce, this could create risk for our businesses, which may result in increased grievances, arbitrations, and/or collective bargaining, which may impede our ability to make progress on our business agenda.

RISK MANAGEMENT APPROACH

The Company has dedicated labour relations resources which focus on resolving issues, grievances and arbitrations. The Company ensures all Human Resources Business Partners and business leaders who manage large in-scope employee populations attend labour relations training to provide practical day-to-day knowledge of our collective agreements and to develop capability in the areas of performance management and investigations. The Company is committed to early and open dialogue with our associations and labour unions regarding business changes and employee impacts in order to maintain a mutually beneficial relationship. Two of our larger associations, Canadian Energy Workers Association (CEWA) and Natural Gas Employees' Association (NGEA), have collective bargaining agreements that do not provide bargaining unit employees with the right to strike and that prohibit lock-outs by management.

Litigation and Claims

DESCRIPTION AND CONTEXT

In the ordinary course of business, the Company or entities in which it has an interest may be subject to demands, disputes, proceedings, arbitrations and/or litigation (Claims) arising out of or related to our operations and other contractual relationships, and any such Claims may be material. Due to the nature of our operations, various types of Claims may be raised, including, but not limited to, failure to comply with applicable laws and regulations including health and safety, environmental damage, climate change and the impacts thereof, breach of contract, negligence, product liability, antitrust, bribery and other forms of corruption, tax, disclosure, securities class actions, derivative actions, patent infringement, privacy, employment matters or labour relations, personal injury, and in relation to a cyber attack, breach or unauthorized access to the Company's information technology and infrastructure. Litigation is subject to uncertainty, and it is possible that Claims could result in unfavourable judgments, decisions, fines, sanctions, monetary damages, temporary or permanent suspensions of operations, or the inability to engage in certain transactions. In addition, unfavourable outcomes or settlements of Claims could encourage further Claims. The Company may also be subject to adverse publicity and reputational impacts associated with such matters, regardless of whether the Company is ultimately found liable. There is a risk that the outcome of any such Claims may be materially adverse to the Company and/or that the Company may be required to incur significant expenses or devote significant resources in defence of such Claims, the success of which cannot be guaranteed.

RISK MANAGEMENT APPROACH

The Company reviews all Claims it receives, including the nature of each Claim, the amount in dispute or claimed and the availability of insurance coverage, and allocates internal or external resources in defence of such Claims, as it deems appropriate.

Pandemic Risk

DESCRIPTION AND 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/or disruptions, inflation risk, labour shortages and/or shutdowns as a result of government regulation and prevention measures. These impacts could 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

The Company's investments in essential services are largely focused on our 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, provincial and national public health authorities in Canada and in other jurisdictions around the world in which we operate to adjust operational requirements as needed to ensure a coordinated approach across the Company.

OTHER FINANCIAL AND NON-GAAP MEASURES

This MD&A contains various "total of segments measures" (as such term is defined in NI 52-112), and "non-GAAP financial measures" (as such term is defined in NI 52-112), which are described in further detail below.

Total of Segments Measures

NI 52-112 defines a "total of segments measure" as a financial measure disclosed by an issuer that is a subtotal or total of two or more reportable segments of an entity, is not a component of a line item disclosed in the primary financial statements of the entity, is disclosed in the notes to the financial statements of the entity, and is not disclosed in the primary financial statements of the entity.

Consolidated adjusted earnings (loss) and adjusted earnings (loss) for each of ATCO Energy Systems, ATCO EnPower and Corporate & Other are total of segments measures, as defined in NI 52-112.

Non-GAAP Financial Measures

NI 52-112 defines a "non-GAAP financial measure" as a financial measure disclosed by an issuer that (a) depicts the historical or expected future financial performance, financial position or cash flow of an entity, (b) with respect to its composition, excludes an amount that is included in, or includes an amount that is excluded from, the composition of the most directly comparable financial measure disclosed in the primary financial statements of the entity, (c) is not disclosed in the financial statements of the entity, and (d) is not a ratio, fraction, percentage or similar representation.

All references to capital investment, and references to adjusted earnings (loss) for each of Electricity Distribution, Electricity Transmission, International Electricity Operations, Total Electricity, Natural Gas Distribution, Natural Gas Transmission, International Natural Gas Distribution, Total Natural Gas, Electricity Generation and Storage & Industrial Water, are non-GAAP financial measures, as defined in NI 52-112.

Adjusted earnings (loss) are defined as earnings (loss) 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 (loss) 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 (loss) present earnings (loss) 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 (loss) are presented in Note 3 of the 2023 Consolidated Financial Statements. Adjusted earnings (loss) per Class A and Class B share are calculated by dividing adjusted earnings (loss) by the weighted average number of shares outstanding for the period.

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

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

A reconciliation of the total of segments measures with total earnings (loss) attributable to equity owners of the Company is presented in this MD&A.

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

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

Adjusted earnings (loss) are earnings (loss) 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 (loss) 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 (loss) are a key measure of segment earnings (loss) that management uses to assess segment performance and allocate resources. It is management's view that adjusted earnings (loss) allow a better assessment of the economics of rate regulation in Canada and Australia than IFRS earnings (loss). 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**
2023 2022	**ATCO Energy Systems**	**ATCO EnPower**	**Corporate & Other**	**Intersegment Eliminations**	**Consolidated**
Revenues	**852**	**89**	**68**	**(35)**	**974**
	902	94	185	(74)	1,107
Adjusted earnings (loss)	**191**	**17**	**(16)**	**—**	**192**
	189	5	(14)	—	180
Impairment (charge) reversal	**(34)**	**—**	**(2)**	**—**	**(36)**
	—	4	—	—	4
Unrealized gains (losses) on mark-to-market forward and swap commodity contracts	**—**	**2**	**45**	**—**	**47**
	—	—	(19)	—	(19)
Rate-regulated activities	**(32)**	**—**	**—**	**—**	**(32)**
	(36)	—	—	—	(36)
IT Common Matters decision	**(5)**	**—**	**—**	**—**	**(5)**
	(4)	—	—	—	(4)
Dividends on equity preferred shares of Canadian Utilities Limited	**—**	**—**	**19**	**—**	**19**
	—	—	20	—	20
Earnings (loss) attributable to equity owners of the Company	**120**	**19**	**46**	**—**	**185**
	149	9	(13)	—	145

($ millions)					Year Ended December 31
2023 2022	**ATCO Energy Systems**	**ATCO EnPower**	**Corporate & Other**	**Intersegment Eliminations**	**Consolidated**
Revenues	**3,174**	**362**	**387**	**(127)**	**3,796**
	3,384	312	477	(125)	4,048
Adjusted earnings (loss)	**644**	**50**	**(98)**	**—**	**596**
	714	35	(94)	—	655
Impairment (charge) reversal	**(42)**	**—**	**(2)**	**—**	**(44)**
	—	4	—	—	4
Unrealized gains (losses) on mark-to-market forward and swap commodity contracts	**—**	**2**	**183**	**—**	**185**
	—	—	(67)	—	(67)
Rate-regulated activities	**(80)**	**—**	**2**	**—**	**(78)**
	10	—	—	—	10
IT Common Matters decision	**(20)**	**—**	**—**	**—**	**(20)**
	(15)	—	—	—	(15)
Transition of managed IT services	**(8)**	**—**	**(1)**	**—**	**(9)**
	—	—	—	—	—
Dividends on equity preferred shares of Canadian Utilities Limited	**—**	**—**	**77**	**—**	**77**
	—	—	75	—	75
AUC enforcement proceeding	**—**	**—**	**—**	**—**	**—**
	(27)	—	—	—	(27)
Workplace COVID-19 vaccination standard	**—**	**—**	**—**	**—**	**—**
	(8)	—	—	—	(8)
Gain on sale of ownership interest in a subsidiary company	**—**	**—**	**—**	**—**	**—**
	5	—	—	—	5
Earnings (loss) attributable to equity owners of the Company	**494**	**52**	**161**	**—**	**707**
	679	39	(86)	—	632

IMPAIRMENTS

In the fourth quarter of 2023, the Company recognized an impairment of $36 million (after-tax) of certain computer software assets which are not expected to be used in the Company.

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

In the fourth quarter of 2022, a reversal of impairment of $4 million (after-tax) was recorded mainly related to a 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 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 Accounting Standards 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 Accounting Standards 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 Accounting Standards.
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, 2023, the significant timing adjustments as a result of the differences between rate-regulated accounting and IFRS Accounting Standards are as follows:

	Three Months Ended December 31			Year Ended December 31		
($ millions)	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
Additional revenues billed in current period						
Future removal and site restoration costs [1]	**28**	23	5	**118**	114	4
Impact of colder temperatures [2]	**—**	11	(11)	**—**	3	(3)
Revenues to be billed in future periods						
Deferred income taxes [3]	**(39)**	(40)	1	**(152)**	(105)	(47)
Impact of warmer temperatures [2]	**(23)**	—	(23)	**(33)**	—	(33)
Impact of inflation on rate base [4]	**(7)**	(23)	16	**(39)**	(65)	26
Settlement of regulatory decisions and other items						
Distribution rate relief [5]	**5**	20	(15)	**18**	104	(86)
Other [6]	**4**	(27)	31	**10**	(41)	51
	(32)	(36)	4	**(78)**	10	(88)

(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) The inflation-indexed portion of International Natural Gas Distribution's rate base is billed to customers through the recovery of depreciation in subsequent years based on the actual or forecasted annual rate of inflation. Under rate-regulated accounting, revenue is recognized in the current 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 asset.

(5) In 2021, in response to the COVID-19 pandemic, Electricity Distribution and Natural Gas Distribution had interim rate relief for customers approved by the AUC to hold current distribution base rates in place. Based on direction from the AUC, collection of 2021 deferred rates commenced in 2022 and for the fourth quarter and year ended December 31, 2023, $5 million and $18 million (after-tax) (2022 - $20 million and $104 million (after-tax)) was billed to customers.

(6) In 2022, ATCO Electric Distribution recorded a decrease in earnings of $18 million (after-tax) related to payments of electricity transmission costs, and ATCO Gas Distribution recorded a decrease in earnings of $15 million (after-tax) related to payments of gas pipeline system load balancing 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 for the fourth quarter and year ended December 31, 2023 was $5 million and $20 million (after-tax) (2022 - $4 million and $15 million (after-tax)).

TRANSITION OF MANAGED IT SERVICES

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

AUC ENFORCEMENT PROCEEDING

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

WORKPLACE COVID-19 VACCINATION STANDARD

To safeguard the health and safety of employees, business partners, customers and communities, the Company required its employees, subject to certain exemptions, to be vaccinated against COVID-19 effective January 1, 2022. Employees who did not demonstrate they were vaccinated or did not have an approved exemption were provided severance. In the first quarter of 2022, the Company incurred $8 million (after-tax) in severance and related costs associated with the workplace COVID-19 vaccination standard.

GAIN ON SALE OF OWNERSHIP INTEREST IN A SUBSIDIARY COMPANY

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

ATCO Energy Systems

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

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

2023 / 2022	**Canadian Utilities Limited**								
	Electricity				**Natural Gas**				**ATCO Energy Systems**
	Electricity Distribution	**Electricity Transmission**	**International Electricity**	**Consolidated Electricity**	**Natural Gas Distribution**	**Natural Gas Transmission**	**International Natural Gas**	**Consolidated Natural Gas**	
Adjusted earnings	**46**	**36**	**14**	**96**	**62**	**22**	**11**	**95**	**191**
	33	37	10	80	63	20	26	109	189
Impairment	**(12)**	**—**	**—**	**(12)**	**(22)**	**—**	**—**	**(22)**	**(34)**
	—	—	—	—	—	—	—	—	—
Rate-regulated activities	**(6)**	**(6)**	**—**	**(12)**	**(5)**	**(8)**	**(7)**	**(20)**	**(32)**
	(22)	(9)	—	(31)	26	(8)	(23)	(5)	(36)
IT Common Matters decision	**(1)**	**(1)**	**—**	**(2)**	**(3)**	**—**	**—**	**(3)**	**(5)**
	(2)	—	—	(2)	(2)	—	—	(2)	(4)
Earnings attributable to equity owners of the Company	**27**	**29**	**14**	**70**	**32**	**14**	**4**	**50**	**120**
	9	28	10	47	87	12	3	102	149

($ millions)									Year Ended December 31
2023	Canadian Utilities Limited								
2022	Electricity				Natural Gas				ATCO Energy Systems
	Electricity Distribution	Electricity Transmission	International Electricity	Consolidated Electricity	Natural Gas Distribution	Natural Gas Transmission	International Natural Gas	Consolidated Natural Gas	
Adjusted earnings	**150**	**162**	**48**	**360**	**120**	**91**	**73**	**284**	**644**
	161	165	49	375	158	88	93	339	714
Impairment	**(12)**	**(8)**	**—**	**(20)**	**(22)**	**—**	**—**	**(22)**	**(42)**
	—	—	—	—	—	—	—	—	—
Rate-regulated activities	**(3)**	**(42)**	**—**	**(45)**	**21**	**(14)**	**(42)**	**(35)**	**(80)**
	(29)	17	—	(12)	98	(12)	(64)	22	10
IT Common Matters decision	**(6)**	**(5)**	**—**	**(11)**	**(8)**	**(1)**	**—**	**(9)**	**(20)**
	(5)	(4)	—	(9)	(5)	(1)	—	(6)	(15)
Transition of managed IT services	**(1)**	**—**	**—**	**(1)**	**(1)**	**—**	**(6)**	**(7)**	**(8)**
	—	—	—	—	—	—	—	—	—
AUC enforcement proceeding	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	—	(27)	—	(27)	—	—	—	—	(27)
Workplace COVID-19 vaccination standard	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	(2)	(1)	—	(3)	(3)	(2)	—	(5)	(8)
Gain on sale of ownership interest in a subsidiary	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	5	—	—	5	—	—	—	—	5
Earnings attributable to equity owners of the Company	**128**	**107**	**48**	**283**	**110**	**76**	**25**	**211**	**494**
	130	150	49	329	248	73	29	350	679

ATCO EnPower

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

($ millions)			Three Months Ended December 31
2023	Canadian Utilities Limited		
2022	Electricity Generation	Storage & Industrial Water	ATCO EnPower
Adjusted earnings (loss)	**6**	**11**	**17**
	(4)	9	5
Impairment reversal	**—**	**—**	**—**
	4	—	4
Unrealized gains on mark-to-market forward and swap commodity contracts	**2**	**—**	**2**
	—	—	—
Earnings attributable to equity owners of the Company	**8**	**11**	**19**
	—	9	9

($ millions)			Year Ended December 31
2023 / 2022	Canadian Utilities Limited		
	Electricity Generation	**Storage & Industrial Water**	**ATCO EnPower**
Adjusted earnings	**19**	**31**	**50**
	3	32	35
Impairment reversal	**—**	**—**	**—**
	4	—	4
Unrealized gains on mark-to-market forward and swap commodity contracts	**2**	**—**	**2**
	—	—	—
Earnings attributable to equity owners of the Company	**21**	**31**	**52**
	7	32	39

RECONCILIATION OF CAPITAL INVESTMENT TO CAPITAL EXPENDITURES

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

($ millions)				Three Months Ended December 31
2023 / 2022	**ATCO Energy Systems**	**ATCO EnPower**	**CU Corporate & Other**	**Consolidated**
Capital Investment	**363**	**37**	**1**	**401**
	385	64	4	453
Capital Expenditures in joint ventures	**(4)**	**(3)**	**—**	**(7)**
	(1)	—	—	(1)
Capital Expenditures	**359**	**34**	**1**	**394**
	384	64	4	452

($ millions)				Year Ended December 31
2023 2022	**ATCO Energy Systems**	**ATCO EnPower**	**CU Corporate & Other**	**Consolidated**
Capital Investment	**1,219**	**837**	**8**	**2,064**
	1,142	240	12	1,394
Capital Expenditures in joint ventures	**(6)**	**(7)**	**—**	**(13)**
	(5)	(6)	—	(11)
Business Combination [1]	**—**	**(691)**	**—**	**(691)**
	—	—	—	—
Capital Expenditures	**1,213**	**139**	**8**	**1,360**
	1,137	234	12	1,383

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

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 financial performance or financial condition of the Company, 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 2023 Consolidated Financial Statements.

MATERIAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The Company’s material accounting estimates are described in Note 24 of the 2023 Consolidated Financial Statements, which are prepared in accordance with IFRS. Management makes judgments and estimates that could materially 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 21 of the 2023 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 32 of the 2023 Consolidated Financial Statements.

ACCOUNTING CHANGES

At December 31, 2023, 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, 2023, 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 by the Company in documents filed by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation. The disclosure controls and procedures also seek to assure that information required to be disclosed by the Company 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, 2023.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The certification of annual filings for the year ended December 31, 2023, requires that the Company disclose in the annual MD&A any changes in the Company's internal controls over financial reporting (ICFR) that occurred during the period that have materially affected, or are reasonably likely to materially affect, the Company's ICFR. The Company confirms that no such changes were identified in the Company's ICFR during the period beginning on January 1, 2023 and ending on December 31, 2023.

The Company's ICFR 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, ICFR can provide only reasonable assurance regarding the reliability of financial statement preparation and may not prevent or detect all misstatements.

As of December 31, 2023, management evaluated the effectiveness of the Company's ICFR 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 ICFR was effective at December 31, 2023.

FORWARD-LOOKING INFORMATION

Certain statements contained in this MD&A constitute forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as "anticipate", "plan", "estimate", "expect", "may", "will", "intend", "should", "goals", "targets", "strategy", "future", and similar expressions. In particular, forward-looking information in this MD&A includes, but is not limited to, references to: strategic plans and targets, including ESG targets and the aspirations to achieve net zero GHG emissions by 2050; expected emissions reductions, and decarbonization to enable customers to transition to lower emitting sources of energy while maintaining safety, reliability and affordability; anticipated timing for the ROE rates annually; the expected timing of commencement, completion or commercial operations of activities, contracts and projects; the expected term of contracts; the impact or benefits of contracts, including economic and other benefits for the Company and its partners and counterparties; expected inflation; the payment of dividends; expected growth and diversification and expansion opportunities; the Company's capital investment plans for the 2024 to 2026 period; the Company's anticipated growth in mid-year rate base to 2026E; the expected timing and impact of regulatory decisions and new regulatory announcements; the expected electricity generation capacity of the Deerfoot, Barlow and Empress solar projects; the Company's Heartland Hydrogen Hub Project, including the project's potential, the Company's continuing commitment to the project, planned design activities, anticipated timing for a final investment decision and the Company's plan to bring in a strategic operating partner; the expected hydrogen production, electricity generation and hydrogen storage capacity of the facilities planned in connection with the South Australian Hydrogen Jobs Plan project and the expected timing of the project; the expected purchase and sale of electricity; the Company's liquidity, capital resources and contractual financial obligations and other commitments; and potential financing alternatives, including the possibility of creating ATCO EnPower as a separate entity.

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, certain regulatory applications will be made and approved in 2024 and 2025, including one related to the expansion of the natural gas transmission system in support of increasing natural gas demand in the Heartland Industrial region; expected rate base growth of 3 per cent to 4 per cent, with expected rate base growth of 4 per cent to 5 per cent over a longer term; the Company's ability to meet its initial set of 2030 ESG targets and successfully achieve its net-zero GHG target by 2050; the development and performance of technology and technological innovations and the ability to otherwise access and implement all technology necessary to achieve GHG and other ESG targets; continuing collaboration with certain business partners and engagement with new business partners, and regulatory and environmental groups; the performance of assets and equipment; demand levels for oil, natural gas, gasoline, diesel and other energy sources; certain levels of future energy use; future production rates; future revenue and earnings; the ability to meet current project schedules, and other assumptions inherent in management's expectations in respect of the forward-looking information identified herein.

The Company's actual results could differ materially from those anticipated in this forward-looking information as a result of, among other things, risks inherent in the performance of assets; capital efficiencies and cost savings; applicable laws, regulations and government policies; regulatory decisions; competitive factors in the industries in which the Company operates; prevailing market and economic conditions; credit risk; interest rate fluctuations; the availability and cost of labour, materials, services, infrastructure, and future demand for resources; 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, extreme weather conditions, explosions, blow-outs, equipment failures, transportation incidents, and other accidents or similar events, global pandemics; and geopolitical tensions and wars; 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 the "Business Risks and Risk Management" section 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

Additional information relating to the Company, including the Company’s 2023 Consolidated Financial Statements and most recent Annual Information Form dated February 28, 2024, can be found on SEDAR+ at www.sedarplus.ca.

Copies of these documents may also 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. Corporate information is also available on the Company's website at www.canadianutilities.com.

GLOSSARY

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

AUC means the Alberta Utilities Commission.

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

Class B shares means Class B 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.

COS means Cost of Service.

Customer contributions are non-refundable cash contributions made by customers for certain additions to property, plant and equipment, mainly in ATCO Energy Systems. 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.

FWI means Fixed Weighted Index of average hourly earnings for all employees, by industry, monthly.

GAAP means Canadian generally accepted accounting principles.

GHG means greenhouse gas.

GRA means general rate application.

GTA means general tariff application.

IFRS means International Financial Reporting Standards.

I-X means the Inflation Adjuster (I Factor) minus 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.

Megawatt Hour (MWh) is a measure of electricity consumption equal to the use of 1,000,000 watts of electricity over one-hour period.

O&M means operating and maintenance.

PBR means Performance Based Regulation.

PPA means Power Purchase Agreement.

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

ROE means return on equity.

APPENDIX 1
FOURTH QUARTER FINANCIAL INFORMATION

Financial information for the three months ended December 31, 2023 and 2022 is shown below.

CONSOLIDATED STATEMENT OF EARNINGS

	Three Months Ended December 31	
(millions of Canadian Dollars except per share data)	**2023**	**2022**
Revenues	**974**	1,107
Costs and expenses		
Salaries, wages and benefits	**(106)**	(101)
Energy transmission and transportation	**(74)**	(69)
Plant and equipment maintenance	**(74)**	(82)
Fuel costs	**(31)**	(54)
Purchased power	**(56)**	(87)
Depreciation, amortization and impairment	**(211)**	(174)
Franchise fees	**(70)**	(84)
Property and other taxes	**(17)**	(17)
Derivative financial instruments gains (losses)	**74**	(65)
Other	**(88)**	(114)
	(653)	(847)
Earnings from investment in joint ventures	**18**	22
Operating profit	**339**	282
Interest income	**14**	15
Interest expense	**(119)**	(107)
Net finance costs	**(105)**	(92)
Earnings before income taxes	**234**	190
Income taxes	**(46)**	(43)
Earnings for the period	**188**	147
Earnings attributable to:		
Equity Owners of the Company	**185**	145
Non-controlling interests	**3**	2
	188	147
Earnings per Class A and Class B share	**$0.61**	$0.46
Diluted Earnings per Class A and Class B share	**$0.61**	$0.46

CONSOLIDATED STATEMENT OF CASH FLOWS

(millions of Canadian Dollars)	Three Months Ended December 31 2023	2022
Operating activities		
Earnings for the period	**188**	147
Adjustments to reconcile earnings to cash flows from operating activities	**291**	341
Changes in non-cash working capital	**4**	120
Cash flows from operating activities	**483**	608
Investing activities		
Additions to property, plant and equipment	**(347)**	(405)
Proceeds on disposal of property, plant and equipment	**1**	1
Additions to intangibles	**(41)**	(43)
Investment in marketable securities	**(3)**	—
Changes in non-cash working capital	**(7)**	5
Other	**23**	1
Cash flows used in investing activities	**(374)**	(441)
Financing activities		
Net repayment of short-term debt	**—**	(19)
Issue of long-term debt	**344**	116
Repayment of long-term debt	**(377)**	(219)
Repayment of lease liabilities	**(4)**	(2)
Dividends paid on equity preferred shares	**(19)**	(20)
Dividends paid to non-controlling interests	**(3)**	(2)
Dividends paid to Class A and Class B share owners	**(112)**	(113)
Interest paid	**(124)**	(116)
Other	**(25)**	(1)
Cash flows used in financing activities	**(320)**	(376)
Decrease in cash position	**(211)**	(209)
Foreign currency translation	**1**	(4)
Beginning of period	**417**	911
End of period	**207**	698