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 CU Inc. 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; CU Inc. undertakes no obligation to update such information except as required by applicable law. CU Inc. remains committed to taking steps to address climate change and continuing to engage in sustainability initiatives.

CU INC.

An ATCO Company

CU INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2020

This Management's Discussion and Analysis (MD&A) is meant to help readers understand key operational and financial events that influenced the results of CU Inc., our, we, us, or the Company) during the three months ended March 31, 2020.

This MD&A was prepared as of April 30, 2020, and should be read with the Company's unaudited interim consolidated financial statements for the three months ended March 31, 2020. Additional information, including the Company's previous MD&A (2019 MD&A), Annual Information Form (2019 AIF), and audited consolidated financial statements for the year ended December 31, 2019, is available on SEDAR at www.sedar.com. Information contained in the 2019 MD&A is not discussed in this MD&A if it remains substantially unchanged.

The Company is controlled by Canadian Utilities Limited (Canadian Utilities or CU), which in turn 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

	Page
Company Overview	2
Utilities Performance	3
Regulatory Developments	6
Sustainability, Climate Change and Energy Transition	7
Other Expenses and Income	8
Liquidity and Capital Resources	9
Share Capital	10
Quarterly Information	11
Non-GAAP and Additional GAAP Measures	12
Reconciliation of Adjusted Earnings to Earnings for the Period	13
Other Financial Information	15
Glossary	16

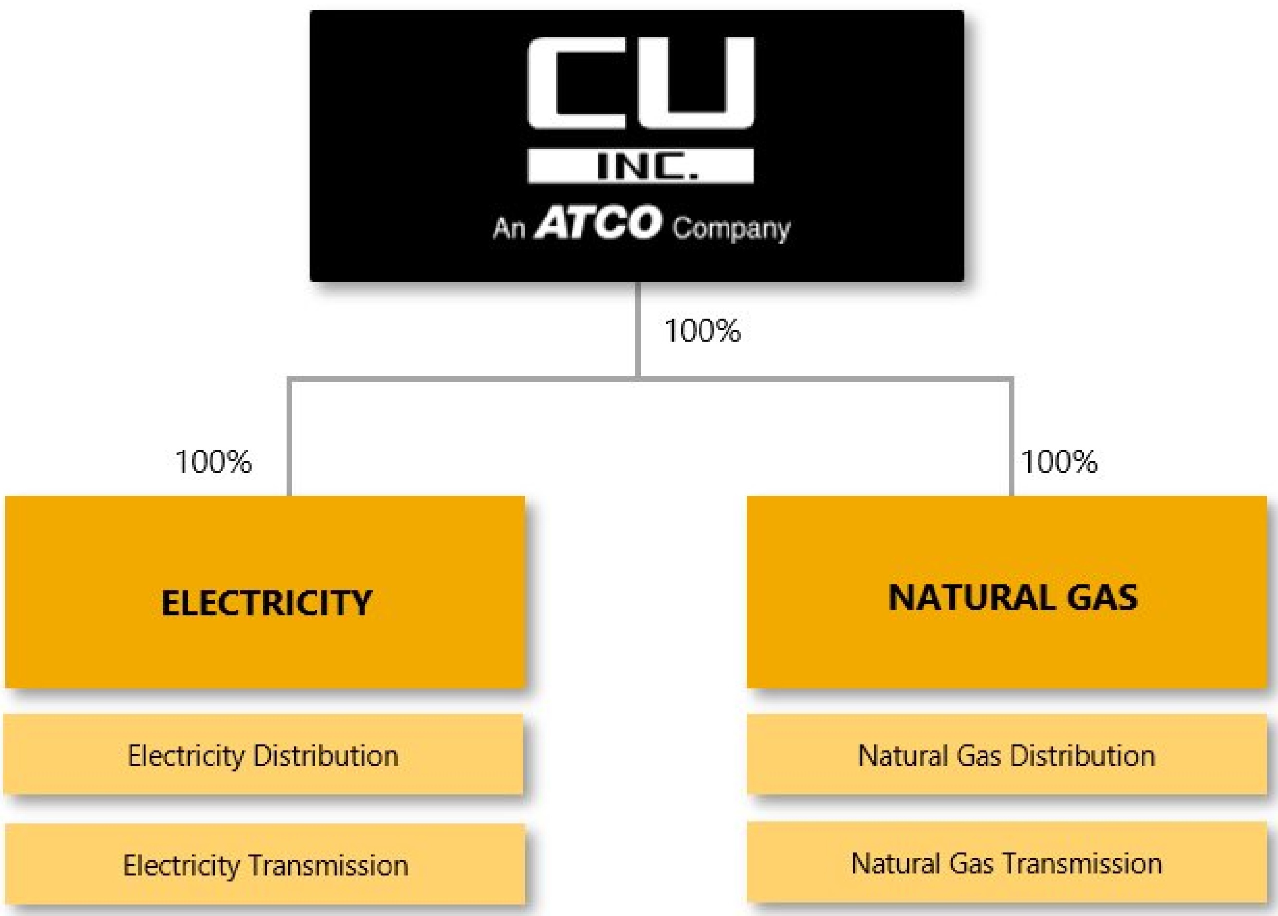
COMPANY OVERVIEW

CU Inc. is a wholly-owned subsidiary of Canadian Utilities Limited, an ATCO Company. CU Inc. is an Alberta-based corporation with approximately 3,600 employees and assets of $17 billion comprised of rate-regulated utility operations in natural gas and electricity distribution and transmission. More information about CU Inc. can be found on the Canadian Utilities Limited website at www.canadianutilities.com.

THE UTILITIES

The Utilities' activities are conducted through regulated businesses in two Business Units within western and northern Canada: Electricity, which includes Electricity Distribution and Electricity Transmission, and Natural Gas, which includes Natural Gas Distribution and Natural Gas Transmission.

SIMPLIFIED ORGANIZATIONAL STRUCTURE



The unaudited interim consolidated financial statements include the accounts of CU Inc. and all of its subsidiaries. The unaudited interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the reporting currency is the Canadian dollar. Certain comparative figures throughout this MD&A have been reclassified to conform to the current presentation.

UTILITIES PERFORMANCE

REVENUES

Revenues of $754 million in the first quarter of 2020 were $5 million lower than the same period in 2019. Lower revenues were mainly due to the timing of settlements from various regulatory decisions, the completion of project management construction activities on APL at the end of the first quarter of 2019 and transition to APL operating activities by Electricity Transmission. Lower revenues were also a result of the completion of the Performance Based Regulation (PBR) efficiency carry-over mechanism (ECM) funding in 2019. The ECM was the incentive granted to distribution utilities in the first two years of the second generation of PBR for demonstrating superior cost savings in the prior PBR period. Lower revenues were partially offset by higher revenues from growth in the regulated rate base.

ADJUSTED EARNINGS

	Three Months Ended March 31		
($ millions)	**2020**	**2019**	**Change**
Electricity			
Electricity Distribution	**35**	38	(3)
Electricity Transmission	**43**	45	(2)
Total Electricity	**78**	83	(5)
Natural Gas			
Natural Gas Distribution	**82**	72	10
Natural Gas Transmission	**22**	16	6
Total Natural Gas	**104**	88	16
Corporate & Other and Intersegment Eliminations	**(2)**	1	(3)
Total Utilities Adjusted Earnings (1)	**180**	172	8

(1) Additional information regarding this measure is provided in the Non-GAAP and Additional GAAP Measures section of this MD&A.

Utilities adjusted earnings of $180 million in the first quarter of 2020 were $8 million higher than the same period in 2019. Higher earnings were mainly due to cost efficiencies, rate base growth, and lower income taxes. Higher earnings were partially offset by the completion of ECM funding in 2019 for Electricity Distribution and Natural Gas Distribution.

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

Electricity Distribution

Electricity Distribution provides regulated electricity distribution and distributed generation mainly in northern and central east Alberta, the Yukon, the Northwest Territories and in the Lloydminster area of Saskatchewan.

In the first quarter of 2020, Electricity Distribution adjusted earnings of $35 million were $3 million lower compared to the same period in 2019. Lower earnings were mainly due to the completion of ECM funding in 2019 and timing of operating costs, partially offset by continued growth in the utility rate base.

Electricity Transmission

Electricity Transmission provides regulated electricity transmission mainly in northern and central east Alberta, the Yukon, the Northwest Territories, and in the Lloydminster area of Saskatchewan. Electricity Transmission was the construction project manager for Alberta PowerLine (APL) and is the operator of Alberta PowerLine under a 35-year contract.

Electricity Transmission adjusted earnings of $43 million were $2 million lower than the same period in 2019. Lower adjusted earnings were mainly due to the completion of project management construction activities on APL at the end of the first quarter of 2019 and transition to operating activities as well as the timing of certain operating costs.

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 recorded adjusted earnings of $82 million in the first quarter of 2020, $10 million higher than the same period in 2019. Higher earnings were mainly due to continuing cost efficiencies, lower income taxes, and growth in the utility rate base. Higher earnings were partially offset by the completion of ECM funding in 2019.

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, primarily for export out of the province.

Natural Gas Transmission recorded adjusted earnings of $22 million in the first quarter of 2020, $6 million higher than the same period in 2019. Higher adjusted earnings were mainly due to lower income taxes, and continued growth in the utility rate base.

UTILITIES RECENT DEVELOPMENTS

Pembina Keephills

On April 1, 2020, Natural Gas Transmission completed and placed in-service the Pembina-Keephills transmission pipeline ahead of schedule and below the $230 million approved budget. The 59-km high-pressure natural gas pipeline supports coal-to-gas conversion of power producers in the Genesee and surrounding areas of Alberta with the capacity to deliver up to 550-TJ per day.

CORPORATE & OTHER AND INTERSEGMENT ELIMINATIONS

Including intersegment eliminations, Canadian Utilities Corporate & Other adjusted earnings in the first quarter of 2020 were $3 million lower than the same period in 2019 mainly due to the timing of certain expenditures and lower interest income.

COVID-19 AND GLOBAL MACROECONOMIC CONDITIONS

The COVID-19 pandemic, oil price decline and slowing global economic activity have caused far-reaching concern and economic hardship for consumers, businesses and communities across the globe. In this time of uncertainty, our people are working hard to ensure that we continue to support our customers and the communities that depend on our essential services.

An outbreak of infectious disease, a pandemic or a similar public health threat, such as the COVID-19 pandemic, or a fear of any of the foregoing, could adversely impact the Company by causing operating, supply chain and project development delays and disruptions, labour shortages and shutdowns, including as a result of government regulation and prevention measures, which could have a negative impact on the Company’s operations.

Any adverse changes in general economic and market conditions arising as a result of a public health threat could negatively impact 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; which could result in a material adverse effect on the Company’s business.

CU Inc. continues to review its 2020 capital investment plan to optimize free cash flow and liquidity. This may result in a lowering of the planned 2020 capital investment and postponement of capital projects into future years.

On March 27, 2020, the Bank of Canada announced the Commercial Paper Purchase Program (CPPP) to support the continuous functioning of financial markets. Under the CPPP, for the next 12 months the Bank of Canada will conduct primary and secondary market purchases of commercial paper (CP) issued by Canadian companies with an outstanding CP program. Due to CU Inc.'s strong CP credit ratings and existing CP program, it is eligible to participate in the CPPP. Through the CPPP, CU Inc. can issue up to an aggregate of $375 million. If CU Inc. were to take advantage of CPPP, it would increase liquidity beyond the normal course lines of credit as outlined in the Liquidity and Capital Resources section of this MD&A.

Below we have summarized the impact on each of our businesses in the first quarter of 2020. Canadian Utilities continues to monitor the situation.

Utilities

The COVID-19 pandemic, oil price decline and slowing global economic activity did not have a material impact on adjusted earnings in the first quarter of 2020.

Government of Alberta 90 Day Utility Bill Deferral Program

On March 18, 2020, the Government of Alberta announced that residential, commercial and farm utility consumers would be given the option to defer payment of their utility accounts considering the financial pressures arising from the COVID-19 pandemic. The initial deferred payment period will last for 90 days. The terms of the utility deferral bill program have not been finalized and CU Inc. continues to communicate with industry participants, the Government of Alberta, and the Alberta Utilities Commission (AUC) on this initiative.

Electricity Distribution

Electricity Distribution operates on a price indexing mechanism for the setting of its rates under Performance Based Regulation (PBR). While the price indexing mechanism does not offer the same adjustment or updates as the Natural Gas Distribution revenue indexing mechanism for future years, its current rate structure utilizes a variety of mechanisms to limit the exposure to demand reductions from industrial and commercial customers. Under PBR, there is also the opportunity to file regulatory applications seeking recovery of lost revenue related to events outside the control of the utility. While there was no material impact to revenues in the first quarter of 2020 as a result of the COVID-19 pandemic, oil price decline and slowing economic activity, we continue to monitor changes in demand from industrial and commercial customers for future possible impacts.

Electricity and Natural Gas Transmission

Electricity and Natural Gas Transmission rates are spread across all customers in the province. Changes in customers’ demand and use are reflected in customer rates over time. At this time, we do not expect material changes in 2020 revenue as a result of the COVID-19 pandemic, oil price decline and slowing economic activity.

Natural Gas Distribution

Natural Gas Distribution operates on a revenue mechanism under PBR. This mechanism provides protection and adjustments on future revenue variances associated with changes in volumes or customer counts. While future changes in customer counts may impact the revenue stream, the majority of customers are residential and these customer counts are not expected to change materially. At this time, we do not expect material changes in 2020 revenue as a result of the COVID-19 pandemic, oil price decline and slowing global economic activity. Under PBR, there is also the opportunity to file regulatory applications seeking recovery of lost revenue related to events outside the control of the utility.

Further Information

Please refer to the *Health and Safety Pandemic Update* in the Sustainability, Climate Change and Energy Transition section of this MD&A for further discussion on the COVID-19 pandemic and how CU Inc. is adjusting its operations to maintain safe and reliable service during the pandemic.

REGULATORY DEVELOPMENTS

GOVERNMENT OF ALBERTA 90 DAY UTILITY BILL DEFERRAL PROGRAM

On March 18, 2020, the Government of Alberta announced that residential, commercial and farm utility consumers would be given the option to defer payment of their utility accounts considering the financial pressures arising from the COVID-19 pandemic. The initial deferred payment period will last for 90 days. The terms of the utility deferral bill program have not been finalized and Canadian Utilities continues to communicate with industry participants, the Government of Alberta, and the Alberta Utilities Commission (AUC) on this initiative.

2021 GENERIC COST OF CAPITAL PROCEEDING

In December 2018, the AUC initiated the 2021 Generic Cost of Capital (GCOC) proceeding. The main focus of the proceeding will be to determine the rate of return for the years 2021 and 2022, as well as consideration of returning to a formula-based approach. Initial evidence was filed in January 2020. In March 2020, the AUC suspended the proceeding and will re-evaluate the suspension every 30-60 days.

SUSTAINABILITY, CLIMATE CHANGE AND ENERGY TRANSITION

SUSTAINABILITY REPORTING

ATCO's 2020 Sustainability Report, which is expected to be published in June 2020, will focus on the material topics listed below.

- Energy Stewardship: access and affordability, security and reliability, and customer satisfaction,
- Environmental Stewardship: climate change and energy use, and environmental compliance,
- Safety: employee health and safety, public safety, and emergency preparedness, and
- Community and Indigenous relations.

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

The 2018 Sustainability Report, Sustainability Framework Reference Document, and other disclosures are available on our website at www.canadianutilities.com

HEALTH AND SAFETY PANDEMIC UPDATE

As we navigate the challenges of the COVID-19 pandemic, the health and safety of our people, customers, and communities is of critical importance to us. CU Inc.'s Pandemic Response Plan was activated in February 2020 by our Crisis Management Committee (CMC). Since then our teams have been responding to this rapidly changing situation to ensure a coordinated approach across CU Inc.

As a provider of utility services, we are determined to continue delivering the reliable service customers need. In accordance with our Pandemic Response Plan that is aimed at protecting the health of our employees and our customers while sustaining our essential services, we have implemented several enhanced protocols including travel restrictions, workplace hygiene practices, employee absence tracking, additional personal protective equipment for essential workers, limiting access to our facilities, and alternative work options for employees where possible (i.e. working from home). An employee helpline has also been established to provide assistance and advice to employees, and an employee communication is sent to all employees each day highlighting trends and key information.

We are committed to doing our part to limit the spread of COVID-19 by following the guidance of local health authorities and governments. We continue to actively monitor the situation and act accordingly as new information becomes available.

OTHER EXPENSES AND INCOME

A financial summary of other consolidated expenses and income items for the first quarter of 2020 and 2019 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 March 31		
($ millions)	**2020**	**2019**	**Change**
Operating costs	**335**	305	30
Depreciation and amortization	**127**	127	–
Net finance costs	**91**	88	3
Income tax expense (recovery)	**49**	65	(16)

OPERATING COSTS

Operating costs, which are total costs and expenses less depreciation and amortization, increased by $30 million in the first quarter of 2020 when compared to the same period in 2019. Higher operating costs were mainly due higher flow-through expense in Natural Gas Distribution for third party franchise and transmission fees, and higher plant and equipment maintenance in Natural Gas Transmission.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization were comparable to the same period in 2019.

NET FINANCE COSTS

Net finance costs increased by $3 million in the first quarter of 2020 when compared to the same period in 2019, mainly due to lower interest income as a result of the early settlement of long-term advances receivable from Canadian Utilities in the third quarter of 2019.

INCOME TAXES

Income taxes decreased by $16 million in the first quarter of 2020 compared to the same period in 2019 mainly due to lower taxable earnings and the impact of the continued phased reduction of the Alberta tax rate.

In June 2019, the Government of Alberta enacted a phased decrease in the provincial corporate income tax rate from 12 per cent to 8 per cent over four years, commencing with a one per cent decrease on July 1, 2019 followed by a one per cent reduction on January 1 of each of the following three years. This change lowered first quarter 2020 IFRS earnings and adjusted earnings.

In April 2019, capital cost allowance acceleration measures enacted by the Government of Canada had no impact to IFRS earnings because lower current taxes were equally offset by higher deferred taxes. However, there was a positive impact to first quarter 2020 adjusted earnings for the Natural Gas Distribution and Transmission businesses.

LIQUIDITY AND CAPITAL RESOURCES

Our financial position is supported by Utility operations. 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, the debt and preferred share capital markets and injections of equity from Canadian Utilities Limited. Liquidity is generated by cash flow from operations and is supported by appropriate levels of cash and available committed credit facilities.

COMMERCIAL PAPER PROGRAMS

On March 27, 2020, the Bank of Canada announced the Commercial Paper Purchase Program (CPPP) to support the continuous functioning of financial markets. Under the CPPP, for the next 12 months the Bank of Canada will conduct primary and secondary market purchases of commercial paper (CP) issued by Canadian companies with an outstanding CP program. Due to CU Inc.'s strong CP credit ratings and existing CP program, it is eligible to participate in the CPPP. Through the CPPP, CU Inc. can issue up to an aggregate of $375 million. If CU Inc. were to take advantage of CPPP, it would increase liquidity beyond the normal course lines of credit.

LINES OF CREDIT

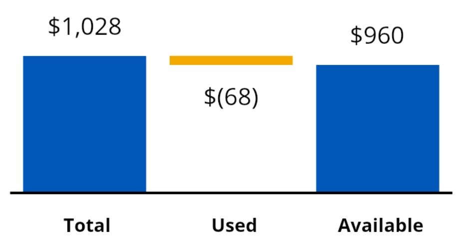
At March 31, 2020, CU Inc. and its subsidiaries had the following lines of credit.

($ millions)	**Total**	**Used**	**Available**
Long-term committed	**900**	–	900
Uncommitted	**128**	68	60
Total	**1,028**	68	960

Of the $1,028 million in total lines of credit, $128 million was in the form of uncommitted credit facilities with no set maturity date.

The other $900 million in lines of credit was committed, with maturities between 2021 and 2022, unless extended at the option of the lenders. The majority of the credit lines are provided by Canadian banks.

Lines of Credit
($ millions)



CONSOLIDATED CASH FLOW

At March 31, 2020, the Company's cash position was $248 million, an increase of $177 million compared to December 31, 2019 mainly due to funds generated by operations achieved during the quarter partially offset by cash used to fund the capital investment program.

Funds Generated by Operations

Funds generated by operations were $431 million in the first quarter of 2020, $37 million lower compared to the same period in 2019. The decrease was mainly due to timing of transmission costs in Electricity Distribution which will be recovered in future periods.

Cash Used for Capital Expenditures

Capital expenditures were $238 million in the first quarter of 2020, $41 million higher than the comparable period in 2019. The increase was mainly due to higher capital spending in Natural Gas Transmission as a result of of construction on the Pembina-Keephills transmission pipeline.

Capital expenditures for the first quarter of 2020 and 2019 shown in the table below.

	Three Months Ended March 31		
($ millions)	**2020**	**2019**	**Change**
Electricity Distribution	**66**	45	21
Electricity Transmission	**42**	63	(21)
Natural Gas Distribution	**57**	44	13
Natural Gas Transmission	**73**	45	28
Total (1)	**238**	197	41

(1) Includes additions to property, plant and equipment, intangibles and $5 million ($5 million - 2019) of interest capitalized during construction for the first quarter of 2020.

Base Shelf Prospectuses

On June 11, 2018, CU Inc. filed a base shelf prospectus that permits it to issue up to an aggregate of $1.5 billion of debentures over the 25-month life of the prospectus. As of April 30, 2020, aggregate issuances of debentures were $965 million.

SHARE CAPITAL

CU Inc. equity securities consist of Class A shares and Class B shares.

At April 29, 2020, the Company had outstanding 3,570,322 Class A shares and 2,188,262 Class B shares.

QUARTERLY INFORMATION

The following table shows financial information for the eight quarters ended June 30, 2018 through March 31, 2020.

($ millions)	Q2 2019	Q3 2019	Q4 2019	Q1 2020
Revenues	638	618	772	**754**
Earnings for the period	303	112	157	**152**
Adjusted earnings				
Electricity	90	73	83	**78**
Natural Gas	26	–	80	**104**
Corporate & Other and Intersegment Eliminations	–	–	–	**(2)**
Total adjusted earnings	116	73	163	**180**

($ millions)	Q2 2018	Q3 2018	Q4 2018	Q1 2019
Revenues	532	547	677	759
Earnings (loss) for the period	(10)	60	126	174
Adjusted earnings				
Electricity	77	70	68	83
Natural Gas	15	(2)	84	88
Corporate & Other and Intersegment Eliminations	–	4	1	1
Total adjusted earnings	92	72	153	172

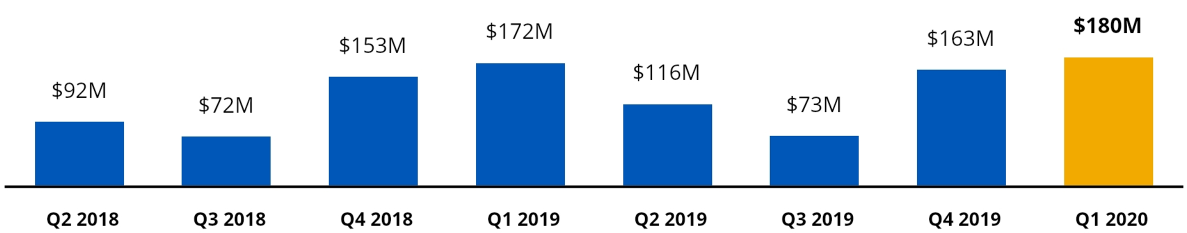
ADJUSTED EARNINGS

Our financial results over the previous eight quarters reflect the timing of utility regulatory decisions. In addition, interim results will vary due to the seasonal nature of demand for natural gas and electricity.

In 2018, earnings were adversely impacted by performance based regulation rate rebasing under Alberta's regulated model in Natural Gas and Electricity Distribution and lower Electricity Transmission interim rates approved by the AUC, partially offset by growth in rate base across the Utilities, and higher seasonal demand in Natural Gas Distribution.

In the first quarter of 2019, higher earnings were mainly due to ongoing growth in the regulated rate base and cost efficiencies in Electricity Distribution and Natural Gas Distribution. In the second, third and fourth quarters of 2019, higher earnings compared to the same periods in 2018 were mainly due to the positive earnings impact of the Electricity Transmission 2018-2019 GTA decision, ongoing cost efficiencies across the Utilities, lower income taxes and growth in the regulated rate base.

In the first quarter of 2020, adjusted earnings increased compared to the same period in 2019 mainly due to cost efficiencies, rate base growth, and lower income taxes. Higher earnings were partially offset by the completion of ECM funding in 2019 for Electricity Distribution and Natural Gas Distribution.



NON-GAAP AND ADDITIONAL GAAP MEASURES

Adjusted earnings are defined as earnings for the period after adjusting for the timing of revenues and expenses associated with rate-regulated activities and dividends on equity preferred shares of the Company. Adjusted earnings also exclude one-time gains and losses, significant impairments, and items that are not in the normal course of business or a result of day-to-day operations.

Adjusted earnings present earnings from rate-regulated activities on the same basis as was used prior to adopting IFRS - that basis being the U.S. accounting principles for rate-regulated activities. Management's view is that adjusted earnings allow for a more effective analysis of operating performance and trends. A reconciliation of adjusted earnings to earnings for the period is presented in this MD&A. Adjusted earnings is an additional GAAP measure presented in Note 3 of the unaudited interim consolidated financial statements.

Funds generated by operations is defined as cash flow from operations before changes in non-cash working capital. In management's opinion, funds generated by operations is a significant performance indicator of the Company's ability to generate cash during a period to fund capital expenditures. Funds generated by operations does not have any standardized meaning under IFRS and might not be comparable to similar measures presented by other companies.

RECONCILIATION OF ADJUSTED EARNINGS TO EARNINGS FOR THE PERIOD

Adjusted earnings are earnings for the period after adjusting for the timing of revenues and expenses associated with rate-regulated activities and dividends on equity preferred shares of the Company. Adjusted earnings also exclude one-time gains and losses, significant impairments, and items that are not in the normal course of business or a result of day-to-day operations.

Adjusted earnings are a key measure of segment earnings that management uses to assess segment performance and allocate resources. It is management's view that adjusted earnings allow a better assessment of the economics of rate regulation in Canada than IFRS earnings.

($ millions)					Three Months Ended March 31
2020 2019	**Electricity**	**Natural Gas**	**Corporate & Other**	**Intersegment Eliminations**	**Consolidated**
Revenues	**320**	**435**	**–**	**(1)**	**754**
	359	400	–	–	759
Adjusted earnings (loss)	**78**	**104**	**(2)**	**–**	**180**
	83	88	1	–	172
Rate-regulated activities	**(29)**	**2**	**–**	**–**	**(27)**
	(3)	2	–	–	(1)
IT Common Matters decision	**(2)**	**(2)**	**–**	**–**	**(4)**
	–	–	–	–	–
Dividends on equity preferred shares of the Company	**1**	**2**	**–**	**–**	**3**
	1	2	–	–	3
Earnings (loss) for the year	**48**	**106**	**(2)**	**–**	**152**
	81	92	1	–	174

RATE-REGULATED ACTIVITIES

Electricity Distribution and Transmission and their subsidiaries, ATCO Electric Yukon, Northland Utilities (NWT) and Northland Utilities (Yellowknife), as well as Natural Gas Distribution and Natural Gas Transmission are collectively referred to as the Utilities.

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

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

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

Timing Adjustment	Items	RRA Treatment	IFRS Treatment
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 and impact of warmer temperatures.	The Company recognizes revenues associated with recoverable costs in advance of future billings to customers.	The Company recognizes costs when they are incurred, but does not recognize their recovery until customer rates are changed and amounts are collected through future billings.
Regulatory decisions received	Regulatory decisions received which relate to current and prior periods.	The Company recognizes the earnings from a regulatory decision pertaining to current and prior periods when the decision is received.	The Company does not recognize earnings from a regulatory decision when it is received as regulatory assets and liabilities are not recorded under IFRS.
Settlement of regulatory decisions and other items	Settlement of amounts receivable or payable to customers and other items.	The Company recognizes the amount receivable or payable to customers as a reduction in its regulatory assets and liabilities when collected or refunded through future billings.	The Company recognizes earnings when customer rates are changed and amounts are recovered or refunded to customers through future billings.

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

	Three Months Ended March 31		
($ millions)	**2020**	**2019**	**Change**
Additional revenues billed in current period			
Future removal and site restoration costs (1)	**22**	20	2
Impact of colder temperatures (2)	**5**	12	(7)
Revenues to be billed in future periods			
Deferred income taxes (3)	**(34)**	(28)	(6)
Settlement of regulatory decisions and other items (4)	**(20)**	(5)	(15)
	(27)	(1)	(26)

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

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

(4) In the first quarter of 2020, ATCO Electric Distribution recorded a decrease in earnings of $27 million related to payment of transmission costs. This will be recovered from customers in future periods.

INFORMATION TECHNOLOGY (IT) COMMON MATTERS DECISION

Consistent with the treatment of the gain on sale in 2014 from the IT services business by CU Inc.'s parent, Canadian Utilities Limited, financial impacts associated with the IT Common Matters decision are excluded from adjusted earnings. The amount excluded from adjusted earnings in the first quarter of 2020 was $4 million (2019 - nil).

OTHER FINANCIAL INFORMATION

INTERNAL CONTROL OVER FINANCIAL REPORTING

There was no change in the Company's internal control over financial reporting that occurred during the period beginning on January 1, 2020, and ended on March 31, 2020, that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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", and similar expressions. Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. The Company believes that the expectations reflected in the forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking information should not be unduly relied upon.

The Company's actual results could differ materially from those anticipated in any forward-looking information contained in this MD&A as a result of regulatory decisions, competitive factors in the industries in which the Company operates, prevailing economic conditions (including as may be affected by the COVID-19 pandemic) and other factors, many of which are beyond the control of the Company.

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

CU Inc. has published its unaudited interim consolidated financial statements and MD&A for the three months ended March 31, 2020. Copies of these documents may be obtained upon request from Investor Relations at 3rd Floor, West Building, 5302 Forand Street S.W., Calgary, Alberta, T3E 8B4, telephone 403-292-7500, fax 403-292-7532 or email investorrelations@atco.com.

GLOSSARY

AUC means the Alberta Utilities Commission.

Alberta Utilities or **Utilities** means Electricity Distribution (ATCO Electric Distribution), Electricity Transmission (ATCO Electric Transmission), Natural Gas Distribution (ATCO Gas) and Natural Gas Transmission (ATCO Pipelines).

Class A shares means Class A non-voting 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 Executive Chair, President & Chief Executive Officer, and the other members of the Executive Committee.

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

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

Earnings means Adjusted Earnings as defined in the Non-GAAP and Additional GAAP Measures section of this MD&A.

GAAP means Canadian generally accepted accounting principles.

IFRS means International Financial Reporting Standards.

Km means kilometre.

Kilowatt (kW) is a measure of electric power equal to 1,000 watts.

PBR means Performance Based Regulation.

Terajoule (TJ) is a unit of energy equal to the use of 100 cubic feet of natural gas.