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 NINE MONTHS ENDED SEPTEMBER 30, 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 nine months ended September 30, 2020.

This MD&A was prepared as of October 28, 2020, and should be read with the Company's unaudited interim consolidated financial statements for the nine months ended September 30, 2020. Additional information, including the Company's previous MD&As, 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.

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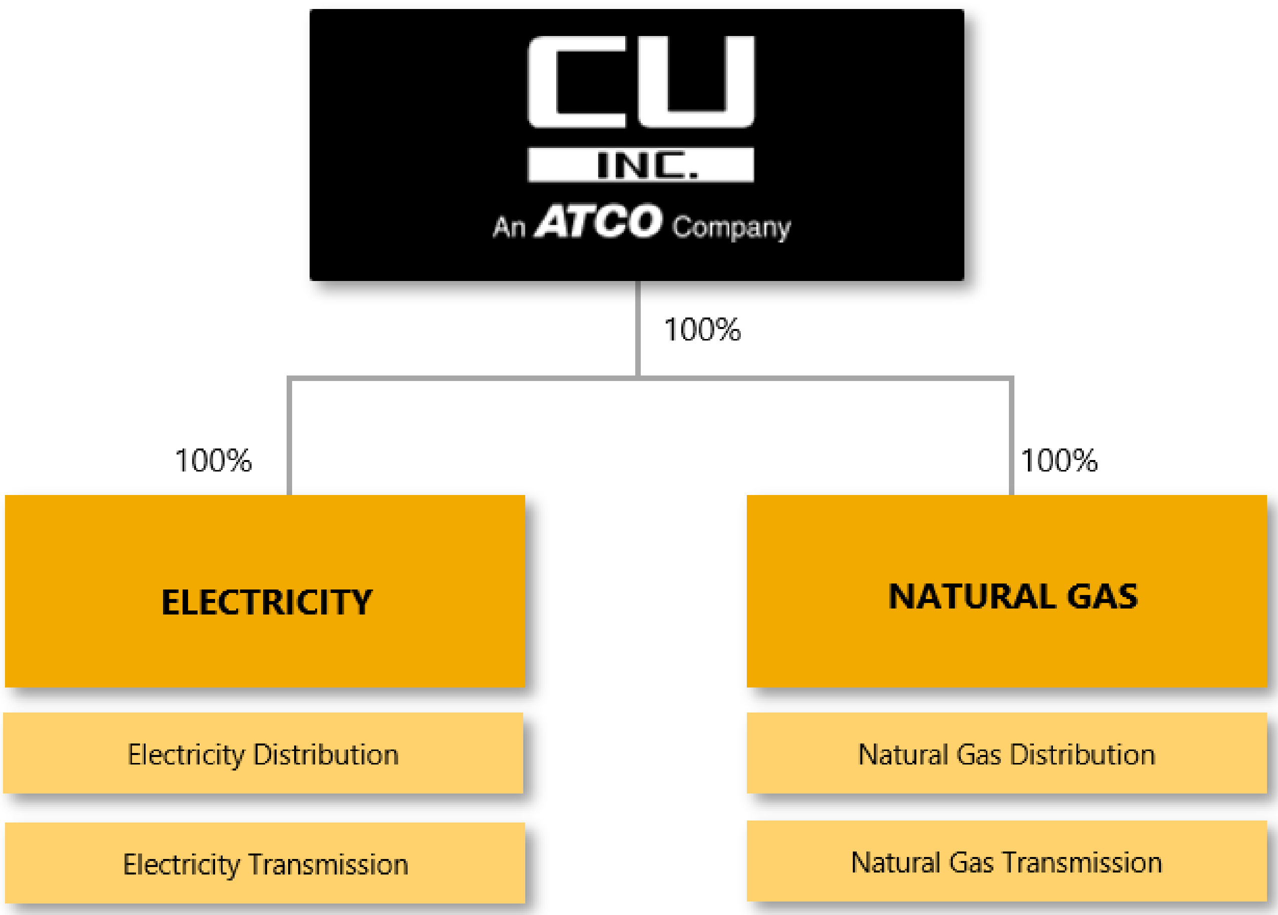
COMPANY OVERVIEW

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 $601 million and $1,991 million in the third quarter and first nine months of 2020 were $17 million and $24 million lower than the same periods in 2019. Lower revenues were mainly due timing of settlements related to regulatory decisions, the completion of the PBR efficiency carry-over mechanism (ECM) funding at the end of 2019, and the transition to APL operating activities by Electricity Transmission with the completion of project management construction activities in 2019. Lower revenues were partially offset by growth in the regulated rate base.

ADJUSTED EARNINGS

	Three Months Ended September 30			Nine Months Ended September 30		
($ millions)	**2020**	**2019**	**Change**	**2020**	**2019**	**Change**
Electricity						
Electricity Distribution	**27**	26	1	**94**	95	(1)
Electricity Transmission	**43**	47	(4)	**132**	151	(19)
Total Electricity	**70**	73	(3)	**226**	246	(20)
Natural Gas						
Natural Gas Distribution	**(17)**	(18)	1	**67**	57	10
Natural Gas Transmission	**21**	18	3	**67**	57	10
Total Natural Gas	**4**	—	4	**134**	114	20
Corporate & Other and Intersegment Eliminations	**(1)**	—	(1)	**(5)**	1	(6)
Total Utilities Adjusted Earnings (1)	**73**	73	—	**355**	361	(6)

(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 $73 million in the third quarter of 2020 were comparable to the same period in 2019.

Utilities adjusted earnings of $355 million in the first nine months of 2020 were $6 million lower than the same period in 2019. Lower earnings were mainly due to the prior period impact of an Electricity Transmission regulatory decision received in 2019, the transition to APL operating activities by Electricity Transmission with the completion of project management construction activities in 2019, and the completion of the incremental ECM funding at the end of 2019 for Electricity and Natural Gas Distribution. Lower earnings were partially offset by cost efficiencies and rate base growth.

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

Electricity Distribution

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

Electricity Distribution adjusted earnings of $27 million in the third quarter of 2020 were $1 million higher compared to the same period in 2019. Higher adjusted earnings were mainly due to cost efficiencies and growth in rate base, partially offset by the completion of ECM funding at the end of 2019.

Electricity Distribution adjusted earnings of $94 million in the first nine months of 2020 were $1 million lower than the same period in 2019 mainly due to the completion of ECM funding at the end of 2019 and lower commercial and industrial demand. Lower earnings were partially offset by cost efficiencies and continued growth in rate base.

Electricity Transmission

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

Electricity Transmission adjusted earnings of $43 million in the third quarter of 2020 were $4 million lower than the same period in 2019. Lower earnings were mainly due to the completion of project management construction activities on APL in 2019 and transition to operating activities.

Electricity Transmission adjusted earnings of $132 million in the first nine months of 2020 were $19 million lower than the same period in 2019. Lower earnings were mainly due to the prior period impact of the Electricity Transmission 2018-2019 General Tariff Application (GTA) decision received in the second quarter of 2019, which approved higher rates for 2018 and 2019. Lower earnings were also due to the completion of project management construction activities and the transition to operating activities on APL in the second quarter of 2019.

Natural Gas Distribution

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

Natural Gas Distribution adjusted earnings in the third quarter and first nine months of 2020 were $1 million and $10 million higher than the same periods in 2019. Higher earnings were mainly due to cost efficiencies and growth in rate base, partially offset by the completion of ECM funding at the end of 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.

Natural Gas Transmission adjusted earnings of $21 million in the third quarter of 2020 were $3 million higher than the same period in 2019. Higher adjusted earnings were mainly due to growth in rate base and cost efficiencies.

Natural Gas Transmission adjusted earnings of $67 million in the first nine months of 2020 were $10 million higher than the same period in 2019. Higher adjusted earnings were mainly due to growth in rate base, lower income taxes and cost efficiencies.

UTILITIES REGULATORY AND OTHER RECENT DEVELOPMENTS

2021 Generic Cost of Capital Proceeding (GCOC)

On October 13, 2020, the AUC issued a decision on the 2021 GCOC proceeding. The AUC approved the extension of the current return on equity (ROE) of 8.5 per cent and equity thickness ratio of 37 per cent on a final basis for 2021. The AUC is expecting to commence a new GCOC process in early 2021 which will allow for the submission of new evidence to address ROE and equity thickness for 2022 and beyond.

Natural Gas Transmission - Pioneer Pipeline Acquisition

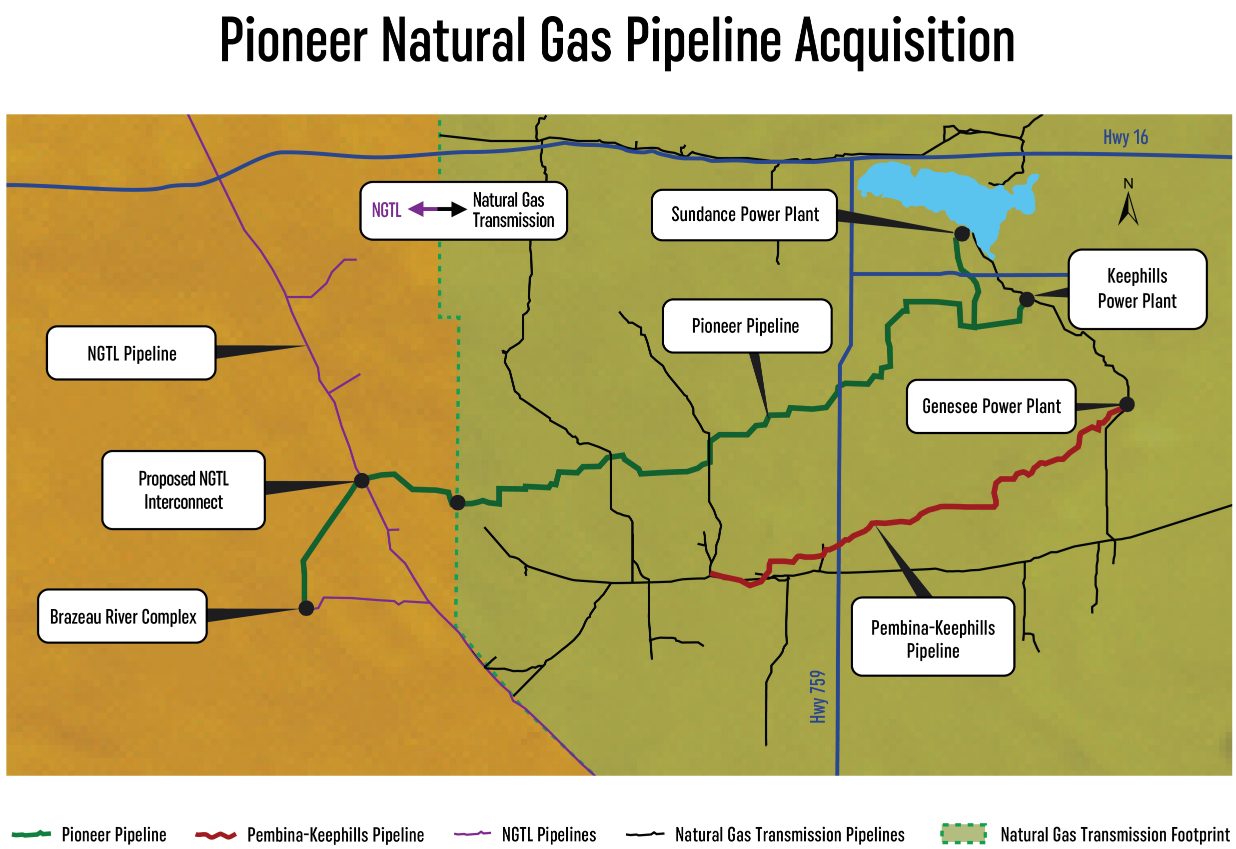
On September 30, 2020, CU Inc.'s Natural Gas Transmission business entered into an agreement to acquire the Pioneer Pipeline from Tidewater Midstream & Infrastructure Ltd. (Tidewater) and its partner TransAlta Corporation (TransAlta) for a purchase price of $255 million. The 131-km natural gas pipeline runs from the Drayton Valley area to the Wabamun area west of Edmonton, Alberta.

This agreement replaces the previously announced Tidewater and TransAlta purchase and sale agreement to sell the Pioneer Pipeline to NOVA Gas Transmission Ltd. (NGTL) and is under substantially similar terms.

NGTL and Natural Gas Transmission agreed that, consistent with the geographic areas defined in their Integration Agreement, Natural Gas Transmission would transfer to NGTL the 30-km segment of the Pioneer Pipeline located in the NGTL footprint for approximately $63 million. Natural Gas Transmission will retain ownership and continue to operate the portion of the Pioneer Pipeline located in the Natural Gas Transmission footprint.

The transaction is subject to customary conditions in a transaction of this nature including regulatory approvals by the AUC and the Alberta Energy Regulator, which are expected by the second quarter of 2021.

Following the close of the transaction, the Pioneer Pipeline will be integrated into NGTL's and CU Inc.'s Alberta integrated regulated natural gas transmission systems to provide reliable natural gas supply to TransAlta's power generating units at Sundance and Keephills, facilitating the conversion of these coal plants to cleaner-burning natural gas.



CORPORATE & OTHER AND INTERSEGMENT ELIMINATIONS

Including intersegment eliminations, Corporate & Other adjusted earnings in the third quarter and first nine months of 2020 were $1 million and $6 million lower than the same periods in 2019 mainly due to the timing of certain expenses.

COVID-19 AND GLOBAL MACROECONOMIC CONDITIONS

The COVID-19 pandemic, continued low oil prices 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 deterioration in general economic and market conditions arising as a result of 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; which could have a negative impact on the Company's business.

In the third quarter and first nine months of 2020, the Company's operations, financial position and performance have not been significantly impacted by the COVID-19 pandemic and changing macroeconomic conditions. Our Electricity Distribution business continues to be closely monitored. Reduced industrial and commercial electricity demand may impact financial results.

OTHER EXPENSES AND INCOME

A financial summary of other consolidated expenses and income items for the third quarter and first nine months 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 September 30			Nine Months Ended September 30		
($ millions)	**2020**	**2019**	**Change**	**2020**	**2019**	**Change**
Operating costs	**279**	293	(14)	**925**	894	31
Depreciation and amortization	**130**	105	25	**385**	360	25
Net finance costs	**91**	73	18	**274**	251	23
Income tax expense (recovery)	**24**	35	(11)	**98**	(79)	177

OPERATING COSTS

Operating costs, which are total costs and expenses less depreciation and amortization, decreased by $14 million in the third quarter of 2020 when compared to the same period in 2019. Lower operating costs were mainly due to cost efficiencies and the timing of certain expenses at Natural Gas Transmission and Distribution.

Operating costs increased by $31 million in the first nine months of 2020 when compared to the same period in 2019. Higher operating costs were mainly due to higher flow-through expenses in Natural Gas Distribution for third party franchise and transmission fees.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization increased by $25 million in the third quarter and first nine months of 2020 compared to the same periods in 2019. Higher depreciation costs were mainly due to a rate change regulatory decision received in the third quarter of 2019 in Electricity Distribution which extends the depreciable life of the assets and resulted in a one-time depreciation adjustment, and continued capital investment.

NET FINANCE COSTS

Net finance costs increased by $18 million and $23 million in the third quarter and first nine months of 2020 when compared to the same periods in 2019, mainly due to the early settlement of long-term advances receivable from Canadian Utilities in the third quarter of 2019.

INCOME TAX

Income taxes were lower by $11 million in the third quarter compared to the same period in 2019 mainly due to lower earnings before taxes. Lower earnings before taxes for the period were mainly due to the timing of certain utility expenses.

Income taxes were higher by $177 million in the first nine months of 2020 compared to the same period in 2019 mainly due to the realization of the deferred tax benefit from the Alberta tax rate reduction in the second quarter of 2019.

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 next three years.

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.

CREDIT RATINGS

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

On September 17, 2020, S&P Global Ratings affirmed CU Inc.'s 'A-' long term issuer credit rating and stable outlook.

LINES OF CREDIT

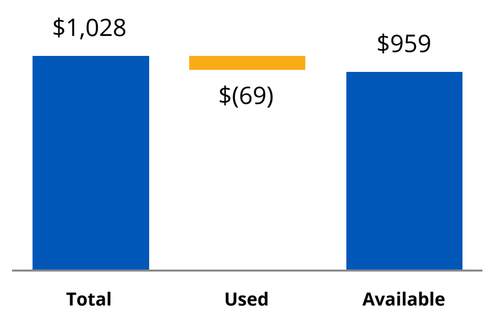
At September 30, 2020, CU Inc. and its subsidiaries had the following lines of credit.

($ millions)	**Total**	**Used**	**Available**
Long-term committed	**900**	–	900
Uncommitted	**128**	69	59
Total	**1,028**	69	959

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 September 30, 2020, the Company's cash position was $328 million, an increase of $257 million compared to December 31, 2019. Funds generated by operations and funds from the issue of long-term debt by CU Inc. in September 2020 were partially offset by cash used to fund the capital investment program and dividends paid.

Funds Generated by Operations

Funds generated by operations were $301 million and $1,043 million in the third quarter and first nine months of 2020, $41 million and $109 lower compared to the same periods in 2019. The decrease was mainly due to lower funds generated in the Utilities as a result of the timing of certain revenues and expenses.

Cash Used for Capital Expenditures

Capital expenditures were $188 million and $591 million in the third quarter and first nine months of 2020, $64 million and $54 million lower compared to the same periods in 2019. The decrease was mainly due to delayed capital investment.

Capital investment for the third quarter and first nine months of 2020 and 2019 is shown in the table below.

	Three Months Ended September 30			Nine Months Ended September 30		
($ millions)	**2020**	**2019**	**Change**	**2020**	**2019**	**Change**
Electricity Distribution	**49**	63	(14)	**165**	151	14
Electricity Transmission	**35**	32	3	**106**	139	(33)
Natural Gas Distribution	**64**	88	(24)	**166**	192	(26)
Natural Gas Transmission	**40**	69	(29)	**154**	163	(9)
Total [(1)]	**188**	252	(64)	**591**	645	(54)

(1) Includes additions to property, plant and equipment, intangibles and $3 million and $10 million (2019 - $5 million and $13 million) of interest capitalized during construction for the third quarter and first nine months of 2020.

Debt Issuances and Repayments

On September 28, 2020, CU Inc. issued $150 million of 2.609 per cent 30-year debentures. Proceeds from this issuance were used to fund capital investments, to repay existing indebtedness, and for other general corporate purposes of the Utilities.

Base Shelf Prospectus - CU Inc. Debentures

On September 16, 2020, CU Inc. filed a base shelf prospectus that permits it to issue up to an aggregate of $1.2 billion of debentures over the 25-month life of the prospectus. As of September 30, 2020, aggregate issuances of debentures were $150 million.

SHARE CAPITAL

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

At October 27, 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 December 31, 2018 through September 30, 2020.

($ millions)	Q4 2019	Q1 2020	Q2 2020	Q3 2020
Revenues	772	754	636	**601**
Earnings for the period	157	152	80	**77**
Adjusted earnings				
Electricity	83	78	78	**70**
Natural Gas	80	104	26	**4**
Corporate & Other and Intersegment Eliminations	—	(2)	(2)	**(1)**
Total adjusted earnings	163	180	102	**73**

($ millions)	Q4 2018	Q1 2019	Q2 2019	Q3 2019
Revenues	677	759	638	618
Earnings for the period	126	174	303	112
Adjusted earnings				
Electricity	68	83	90	73
Natural Gas	84	88	26	—
Corporate & Other and Intersegment Eliminations	1	1	—	—
Total adjusted earnings	153	172	116	73

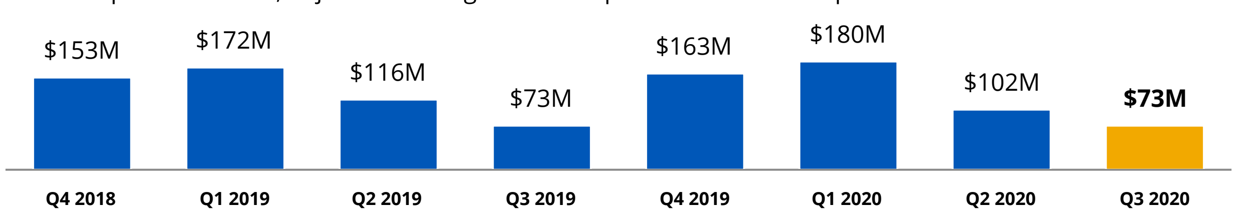
ADJUSTED EARNINGS

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.

In the first quarter of 2019, earnings were positively impacted mainly by growth in the regulated rate base and cost efficiencies in Natural Gas and Electricity Distribution. In the second, third and fourth quarters of 2019, earnings were positively impacted mainly by the Electricity Transmission 2018-2019 GTA decision, the Natural Gas Transmission 2019-2020 GRA decision, continued growth in the regulated rate base, cost efficiencies, and lower income taxes.

In the first quarter of 2020, Utilities 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. In the second quarter of 2020, adjusted earnings decreased compared to the same period in 2019. Lower earnings were mainly due to the prior period impact of regulatory decisions received in the second quarter of 2019, the transition to APL operating activities by Electricity Transmission with the completion of project management construction activities at the end of the first quarter of 2019, and the completion of the incremental ECM funding in 2019 for Electricity and Natural Gas Distribution. Lower earnings were partially offset by cost efficiencies and rate base growth.

In the third quarter of 2020, adjusted earnings were comparable to the same period in 2019.



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 September 30**
2020 2019	**Electricity**	**Natural Gas**	**Corporate & Other**	**Intersegment Eliminations**	**Consolidated**
Revenues	**335**	**267**	**—**	**(1)**	**601**
	343	276	—	(1)	618
Adjusted earnings (loss)	**70**	**4**	**(1)**	**—**	**73**
	73	—	—	—	73
Prepayment penalty received on early settlement of long-term advances to affiliate company	**—**	**—**	**—**	**—**	**—**
	—	—	12	—	12
Rate-regulated activities	**—**	**4**	**—**	**—**	**4**
	8	19	—	—	27
IT Common Matters decision	**(2)**	**(1)**	**—**	**—**	**(3)**
	(2)	(1)	—	—	(3)
Dividends on equity preferred shares of the Company	**1**	**2**	**—**	**—**	**3**
	1	2	—	—	3
Earnings (loss) for the period	**69**	**9**	**(1)**	**—**	**77**
	80	20	12	—	112

($ millions)					Nine Months Ended September 30
2020 2019	Electricity	Natural Gas	Corporate & Other	Intersegment Eliminations	Consolidated
Revenues	**995**	**999**	**—**	**(3)**	**1,991**
	1,042	975	—	(2)	2,015
Adjusted earnings (loss)	**226**	**134**	**(5)**	**—**	**355**
	246	114	—	1	361
Prepayment penalty received on early settlement of long-term advances to affiliate company	**—**	**—**	**—**	**—**	**—**
	—	—	12	—	12
Rate-regulated activities	**(38)**	**2**	**—**	**—**	**(36)**
	125	100	—	—	225
IT Common Matters decision	**(6)**	**(4)**	**—**	**—**	**(10)**
	(9)	(8)	—	—	(17)
Dividends on equity preferred shares of the Company	**4**	**4**	**—**	**—**	**8**
	4	4	—	—	8
Other	**(3)**	**(5)**	**—**	**—**	**(8)**
	—	—	—	—	—
Earnings (loss) for the period	**183**	**131**	**(5)**	**—**	**309**
	366	210	12	1	589

PREPAYMENT PENALTY RECEIVED ON EARLY SETTLEMENT OF LONG-TERM ADVANCES TO AFFILIATE COMPANY

In the third quarter of 2019, the Company recorded $16 million ($12 million after-tax) related to a prepayment penalty fee on the early repayment of $78 million of long-term advances issued to its affiliate company. The repaid amounts were originally due from 2020 to 2023.

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 September 30			Nine Months Ended September 30		
($ millions)	**2020**	**2019**	**Change**	**2020**	**2019**	**Change**
Additional revenues billed in current period						
Future removal and site restoration costs (1)	**20**	18	2	**59**	55	4
Impact of (warmer) colder temperatures (2)	**(2)**	2	(4)	**7**	14	(7)
Revenues to be billed in future periods						
Deferred income taxes (3)	**(15)**	(16)	1	**(71)**	(71)	—
Deferred income taxes due to decrease in provincial corporate income tax (4)	**—**	—	—	**—**	210	(210)
Regulatory decisions received (see below)	**—**	3	(3)	**—**	—	—
Settlement of regulatory decisions and other items (5)	**1**	20	(19)	**(31)**	17	(48)
	4	27	(23)	**(36)**	225	(261)

(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 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 second quarter of 2019, the Government of Alberta enacted a phased decrease in the provincial corporate income tax rate from 12 per cent to 8 per cent. This decrease is being phased in increments starting July 1, 2019. As a result of this change, the Alberta Utilities decreased deferred income taxes and increased earnings in the second quarter of 2019 by $210 million.

(5) For the nine months ended September 30, 2020, Electricity Distribution recorded a decrease in earnings of $20 million related to payment of transmission costs. This will be recovered from customers in future periods.

REGULATORY DECISIONS RECEIVED

Under rate-regulated accounting, the Company recognizes earnings from a regulatory decision pertaining to current and prior periods when the decision is received. A description of the significant regulatory decisions recognized in adjusted earnings in 2019 is provided below.

	Decision	Amount	Description
1.	Information Technology (IT) Common Matters	17	In August 2014, CU Inc's parent, Canadian Utilities Limited, sold its IT services business to Wipro Ltd. (Wipro) and signed a ten-year IT Master Services Agreement (MSA) effective January 1, 2015. In 2015, the AUC commenced an Information Technology Common Matters proceeding to review the recovery of IT costs by the Alberta Utilities from January 1, 2015 going forward. On June 5, 2019, the AUC issued its decision regarding the IT Common Matters proceeding and directed the Alberta Utilities to reduce the first-year of the Wipro MSA by 13% and to apply a glide path that reduces pricing by 4.61% in each of years 2 through 10. The reduction in adjusted earnings resulting from the decision for the period January 1, 2015 to September 30, 2020 was $17 million. Of this amount, $14 million relates to the period January 1, 2015 to June 30, 2019 and was recorded in the second quarter of 2019. The remaining $3 million was recorded in the third quarter of 2019.
2.	Electricity Transmission General Tariff Application (GTA)	(17)	In June 2017, Electricity Transmission filed a GTA for its operations for 2018 and 2019. The decision was received in July 2019 approving the majority of capital expenditures and operating costs requested. The increase in adjusted earnings resulting from the decision of $17 million was recorded in the second quarter of 2019.

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 amounts excluded from adjusted earnings in the three and nine months ended September 30, 2020 were $3 million and $10 million (2019 - $3 million and $17 million).

OTHER

In the second quarter of 2020, the Company recorded other costs of $8 million, after-tax, that were not in the normal course of business. These costs related to the continued transformation and realignment of certain functions in the Company.

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 July 1, 2020, and ended on September 30, 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 nine months ended September 30, 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.

PBR means Performance Based Regulation.