

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.





An **ATCO** Company

CU INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022

This Management's Discussion and Analysis (MD&A) is meant to help readers understand key operational and financial events that influenced the results of CU Inc. (our, we, us, or the Company) during the nine months ended September 30, 2022.

This MD&A was prepared as of October 26, 2022, and should be read with the Company's unaudited interim consolidated financial statements for the nine months ended September 30, 2022. Additional information, including the Company's previous MD&As, Annual Information Form (2021 AIF), and audited consolidated financial statements for the year ended December 31, 2021, is available on SEDAR at www.sedar.com. Information contained in the 2021 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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UTILITIES PERFORMANCE

REVENUES

Revenues of \$659 million and \$2,314 million in the third quarter and first nine months of 2022 were \$36 million and \$317 million higher than the same periods in 2021. Higher revenues, largely in Electric Distribution and Natural Gas Distribution, are a result of rate relief provided to customers in 2021 in light of the COVID-19 global pandemic and subsequently the AUC decision to maximize the collection of 2021 deferred revenues in 2022. Higher revenues in the first nine months are also due to higher flow-through revenues in Natural Gas Distribution and growth in rate base.

ADJUSTED EARNINGS

	Three Months Ended September 30			Nine Months Ended September 30		
(\$ millions)	2022	2021	Change	2022	2021	Change
Electricity						
Electricity Distribution ⁽¹⁾	40	35	5	128	114	14
Electricity Transmission ⁽¹⁾	41	38	3	128	117	11
Total Electricity	81	73	8	256	231	25
Natural Gas						
Natural Gas Distribution ⁽¹⁾	(16)	(18)	2	95	70	25
Natural Gas Transmission ⁽¹⁾	22	21	1	68	61	7
Total Natural Gas	6	3	3	163	131	32
Corporate & Other and Intersegment Eliminations	(1)	(1)	—	(2)	(3)	1
Total Utilities ⁽²⁾	86	75	11	417	359	58

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

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

Utilities adjusted earnings of \$86 million and \$417 million in the third quarter and first nine months of 2022 were \$11 million and \$58 million higher than the same periods in 2021 mainly due to timing of operating costs, cost efficiencies, and growth in rate base. Higher earnings in the third quarter and first nine months of 2022 were also due to the impact of the Electricity Transmission 2018-2019 General Tariff Application (GTA) Compliance Filing and the 2020-2022 GTA Compliance Filing decisions received from the AUC in the second and third quarters of 2021.

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

Electricity Distribution

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

Electricity Distribution adjusted earnings of \$40 million and \$128 million in the third quarter and first nine months of 2022 were \$5 million and \$14 million higher than the same periods in 2021 mainly due to cost efficiencies.

Electricity Transmission

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

Electricity Transmission adjusted earnings of \$41 million and \$128 million in the third quarter and first nine months of 2022 were \$3 million and \$11 million higher than the same periods in 2021. Earnings in 2021 were lower as a result of the Electricity Transmission 2018-2019 GTA Compliance Filing and the 2020-2022 GTA Compliance Filing decisions received from the AUC in the second and third quarters of 2021. Combined, these decisions included a \$12 million reduction of earnings in 2021 related to prior periods.

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 2022 were \$2 million and \$25 million higher than the same periods in 2021 mainly due to timing of operating costs and cost efficiencies.

Natural Gas Transmission

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

Natural Gas Transmission adjusted earnings of \$22 million and \$68 million in the third quarter and first nine months of 2022 were \$1 million and \$7 million higher than the same periods in 2021. Higher adjusted earnings were mainly due to growth in rate base, including the acquisition of the Pioneer Pipeline which occurred in June 2021.

CORPORATE & OTHER AND INTERSEGMENT ELIMINATIONS

Including intersegment eliminations, Corporate & Other adjusted earnings in the third quarter was comparable to the same period in 2021.

Including intersegment eliminations, Corporate & Other adjusted earnings in the first nine months of 2022 were \$1 million higher than the same period in 2021, mainly due to the timing of certain expenses.

RECENT DEVELOPMENTS

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

In August 2022, GNWT announced it is providing Northland Utilities, a 50/50 joint-venture partnership between ATCO Ltd. and Denendeh Investments, with up to \$300,000 to support installing two public EV fast-charger stations in Yellowknife.

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

REGULATORY DEVELOPMENTS

COMMON MATTERS

2023 Cost of Service (COS) for Distribution Utilities

On July 28, 2022 and September 1, 2022, the AUC issued decisions on Electricity Distribution and Natural Gas Distribution's 2023 COS applications which resulted in the majority of the requested revenue requirement being approved. The AUC accepted the forecasting methodology and confirmed that it reflects achieved efficiencies, which are being passed onto customers. Electricity Distribution and Natural Gas Distribution filed their respective compliance filings on September 26, 2022 and October 3, 2022.

SUSTAINABILITY, CLIMATE CHANGE AND ENERGY TRANSITION

Within the ATCO group of companies (including CU Inc.), 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, 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 CU Inc.'s ultimate parent company, ATCO.

Sustainability Reporting and ESG Targets

ATCO's 2021 Sustainability Report focuses on the following material topics:

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

In January 2022, ATCO released their net zero by 2050 commitment as well as an initial set of 2030 ESG Targets. ATCO's Board of Directors recognizes and fully supports the net-zero commitment and 2030 targets, and agrees that these commitments and targets align with our strategic direction. More detailed information and progress towards these targets are found in the 2021 Sustainability Report. Achieving net zero by 2050 is a societal challenge that no individual, business, or government can solve on its own. It will require unprecedented collaboration among all constituents, as well as an informed, pragmatic, and affordable roadmap from policymakers to unlock the necessary scale and pace of private sector investment and expertise.

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

The 2021 Sustainability Report, ESG Datasheet, Corporate Governance, materiality assessment, and additional details and other disclosures are available on our website at www.atco.com.

Climate Change and Energy Transition

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

POLICY/REGULATORY UPDATE

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.

Government of Alberta Technology Innovation and Emissions Reduction (TIER) Regulation

In Alberta, the TIER regulation came into effect on January 1, 2020 after meeting the Government of Canada's stringency requirements for carbon emitting pricing systems. This review and engagement is to ensure TIER continues to meet the federal government's stringency requirements for the emission sources they cover. In the third quarter of 2022, the Government of Alberta reviewed feedback on the TIER regulation.

Alberta Utilities Commission (AUC) Hydrogen Inquiry Report

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

OTHER EXPENSES AND INCOME

A financial summary of other consolidated expenses and income items for the third quarter and first nine months of 2022 and 2021 is given below. These amounts are presented in accordance with IFRS accounting standards. They have not been adjusted for the timing of revenues and expenses associated with rate-regulated activities and other items that are not in the normal course of business.

(\$ millions)	Three Months Ended September 30			Nine Months Ended September 30		
	2022	2021	Change	2022	2021	Change
Operating costs	315	320	(5)	1,020	993	27
Depreciation and amortization	135	132	3	409	399	10
Net finance costs	88	91	(3)	268	272	(4)
Income tax expense	28	19	9	149	78	71

OPERATING COSTS

Operating costs, which are total costs and expenses less depreciation and amortization, decreased by \$5 million in the third quarter compared to the same period in 2021. Decreased costs were mainly due to lower purchased power volumes in the Electricity Transmission business.

Operating costs increased in the first nine months of 2022 by \$27 million compared to the same period in 2021 mainly due to higher flow-through costs in the Natural Gas business, costs related to the AUC enforcement proceeding, and costs associated with the Workplace COVID-19 Vaccination Standard. Higher operating costs were partially offset by costs related to the early termination of the Master Services Agreement (MSA) with Wipro Ltd. (Wipro) for managed information technology services in 2021, and the 2022 gain on sale due to the change in ownership interest in Northland Utilities Enterprise Ltd. (NUE).

DEPRECIATION AND AMORTIZATION

Depreciation and amortization increased by \$3 million and \$10 million in the third quarter and first nine months of 2022 compared to the same periods in 2021 mainly due to the acquisition of the Pioneer Pipeline in the Natural Gas Transmission business in June 2021, and ongoing capital investment in the Alberta Utilities.

NET FINANCE COSTS

Net finance costs decreased by \$3 million and \$4 million in the third quarter and first nine months of 2022 compared to the same periods in 2021 mainly due to higher interest income from cash investments.

INCOME TAX EXPENSE

Income taxes were higher by \$9 million and \$71 million in the third quarter and first nine months of 2022 compared to the same periods in 2021 mainly due to increased IFRS earnings and non-deductible items.

LIQUIDITY AND CAPITAL RESOURCES

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, debt and 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

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

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

On August 4, 2022 S&P Global Ratings affirmed its 'A-' long-term issuer credit rating and stable outlook on CU Inc.

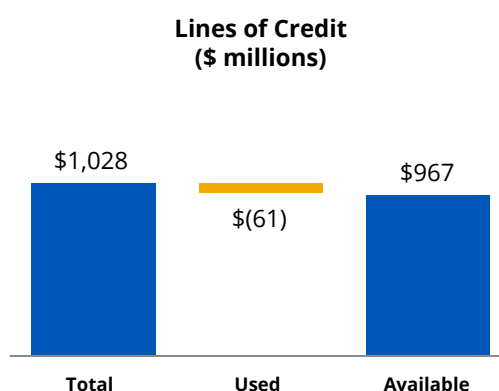
LINES OF CREDIT

At September 30, 2022, CU Inc. and its subsidiaries had the following lines of credit.

(\$ millions)	Total	Used	Available
Long-term committed	900	19	881
Uncommitted	128	42	86
Total	1,028	61	967

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 credit lines was committed, with maturities between 2023 and 2024, and may be extended at the option of the lenders. The majority of the credit lines are provided by Canadian banks.



CONSOLIDATED CASH FLOW

At September 30, 2022, the Company's cash position was \$170 million, an increase of \$118 million compared to December 31, 2021 mainly due to cash flows from operating activities achieved during the first nine months of 2022, the third quarter debt issuance, and the closing of a transaction to transfer a 30-km segment of the Pioneer Natural Gas Pipeline to NGTL, partially offset by cash used to fund the capital investment program, dividends paid, and payments of debt and interest.

Cash Flows from Operating Activities

Cash flows from operating activities of \$358 million and \$1,421 million in the third quarter and first nine months of 2022 were \$99 million and \$375 million higher than the same periods in 2021. The increase was mainly due to higher cash flows from the recovery of the 2021 deferral of customer rate increases, and the timing of certain revenue and expenses.

Cash Used for Capital Expenditures

Cash used for capital expenditures was \$265 million in the third quarter of 2022, \$74 million higher compared to the same period in 2021 mainly due to ongoing capital investment.

Cash used for capital expenditures was \$683 million in the first nine months of 2022, \$100 million lower compared to the same period in 2021 mainly due to the prior year purchase of the Pioneer Pipeline and the completion of construction of the Calgary Northwest Connector in 2021 in the Natural Gas Transmission business, partially offset by ongoing capital investment.

Capital expenditures for the third quarter and first nine months of 2022 and 2021 is shown in the table below.

	Three Months Ended September 30			Nine Months Ended September 30		
(\$ millions)	2022	2021	Change	2022	2021	Change
Electricity Distribution	75	51	24	190	162	28
Electricity Transmission	61	33	28	177	95	82
Natural Gas Distribution	88	75	13	224	203	21
Natural Gas Transmission	41	32	9	92	323	(231)
Total ^{(1) (2)}	265	191	74	683	783	(100)

(1) Includes additions to property, plant and equipment, intangibles, and \$4 million and \$9 million (2021 - \$2 million and \$8 million) of capitalized interest during construction for the third quarter and first nine months of 2022.

(2) Includes \$37 million and \$136 million for the third quarter and first nine months of 2022 (2021 - \$20 million and \$117 million) of capital expenditures that were funded with the assistance of customer contributions.

Base Shelf Prospectus - CU Inc. Debentures

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

CU Inc. Debenture Issuance

On September 7, 2022, CU Inc. issued \$210 million of 4.773 per cent 30-year debentures. Proceeds from the issue will be used to finance capital expenditures and for other general corporate purposes.

SHARE CAPITAL

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

At October 25, 2022, 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, 2020 through September 30, 2022.

(\$ millions)	Q4 2021	Q1 2022	Q2 2022	Q3 2022
Revenues	826	917	738	659
Earnings for the period	132	222	153	93
Adjusted earnings (loss)				
Electricity	72	90	85	81
Natural Gas	92	122	35	6
Corporate & Other and Intersegment Eliminations	—	(1)	—	(1)
Total adjusted earnings ⁽¹⁾	164	211	120	86

(\$ millions)	Q4 2020	Q1 2021	Q2 2021	Q3 2021
Revenues	739	743	631	623
Earnings for the period	95	133	61	61
Adjusted earnings (loss)				
Electricity	79	85	73	73
Natural Gas	101	100	28	3
Corporate & Other and Intersegment Eliminations	(1)	(1)	(1)	(1)
Total adjusted earnings ⁽¹⁾	179	184	100	75

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

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

ADJUSTED EARNINGS

Adjusted earnings in the second and third quarters of each year were impacted by lower seasonal demand in the Natural Gas Distribution business. Adjusted earnings in the first quarter of 2022 was higher than the same period in 2021 mainly due to timing of operating costs, cost efficiencies, and growth in rate base.

Adjusted earnings in the second quarter of 2022 was higher compared to the same period in 2021 mainly due to the impact of the Electricity Transmission 2018-2019 GTA Compliance Filing decision received in the second quarter of 2021, growth in rate base, the timing of operating costs, and cost efficiencies.

Adjusted earnings in the third quarter of 2022 was higher compared to the same period in 2021 mainly due to timing of operating costs, cost efficiencies, and growth in rate base.

EARNINGS FOR THE PERIOD

Earnings for the period include timing adjustments related to rate-regulated activities. They also include one-time gains and losses, impairments, dividends on equity preferred shares and other items that are not in the normal course of business or a result of day-to-day operations recorded at various times over the past eight quarters. These items are excluded from adjusted earnings and are highlighted below:

- Early Termination of the Master Services Agreement for Managed IT Services
 - In 2020, the Company's parent, Canadian Utilities Limited, signed a MSA with IBM Canada Ltd. (IBM) (subsequently novated to Kyndryl Canada Ltd.) to provide managed IT services. These services were previously provided by Wipro Ltd. under a ten-year MSA expiring in December 2024. The Company recognized termination costs of \$52 million (after-tax) in the fourth quarter of 2020, which represents management's best estimate of the costs to exit the Wipro MSAs.

- The transition of the managed IT services from Wipro to IBM commenced on February 1, 2021 and was complete by December 31, 2021. In 2021, the Company recognized transition costs of \$32 million (after-tax).
- AUC Enforcement Proceeding
 - On April 14, 2022, the AUC Enforcement branch and ATCO Electric Transmission filed a settlement with the AUC regarding a sole source contract for the Jasper interconnection project. On June 29, 2022, the AUC issued its decision approving the settlement in its entirety. In the fourth quarter of 2021 and first quarter of 2022, the Company recognized costs of \$14 million and \$27 million (after-tax), respectively, related to the proceeding.
- Workplace COVID-19 Vaccination Standard
 - To safeguard the health and safety of employees, business partners, customers and communities, the Company required its employees, subject to certain exemptions, to be vaccinated against COVID-19 effective January 1, 2022. Employees who did not demonstrate they were vaccinated or did not have an approved exemption were provided severance. In 2022, the Company incurred \$8 million (after-tax) in severance and related costs associated with the Workplace COVID-19 vaccination standard.
- Gain on sale of ownership interest in a subsidiary company
 - On March 31, 2022, the Company and Denendeh Investments Incorporated (DII) entered into a share purchase agreement to increase DII's ownership interest in Northland Utilities Enterprises Ltd. (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.

OTHER FINANCIAL AND NON-GAAP MEASURES

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

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

Adjusted earnings are defined as earnings 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, impairments, and items that are not in the normal course of business or a result of day-to-day operations.

Adjusted earnings present earnings from rate-regulated activities on the same basis as was used prior to adopting IFRS - that basis being the US accounting principles for rate-regulated activities. 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 are presented in Note 3 of the unaudited interim consolidated financial statements.

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

Total of segments measures are most directly comparable to total earnings for the period. Comparable total of segments measures for the same period in 2021 have been calculated using the same composition and are disclosed alongside the current total of segments measures in this MD&A. A reconciliation of the total of segments measures with total earnings for the period is presented in this MD&A.

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

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, 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. Additional information regarding this measure is provided in the Other Financial and Non-GAAP Measures section of this MD&A.

(\$ millions)		Three Months Ended September 30				
2022		Electricity	Natural Gas	Corporate & Other	Intersegment Eliminations	Consolidated
2021						
Revenues		354	307	—	(2)	659
		341	283	—	(1)	623
Adjusted earnings (loss)		81	6	(1)	—	86
		73	3	(1)	—	75
Rate-regulated activities		(2)	12	—	—	10
		(5)	(3)	—	—	(8)
IT Common Matters decision		(3)	(1)	—	—	(4)
		(2)	(1)	—	—	(3)
Transition of managed IT services		—	—	—	—	—
		(3)	(3)	—	—	(6)
Dividends on equity preferred shares of the Company		1	—	—	—	1
		1	2	—	—	3
Earnings for the period		77	17	(1)	—	93
		64	(2)	(1)	—	61

					Nine Months Ended September 30
(\$ millions)					
2022	Electricity	Natural Gas	Corporate & Other	Intersegment Eliminations	Consolidated
2021					
Revenues	1,101	1,217	—	(4)	2,314
	1,002	998	—	(3)	1,997
Adjusted earnings (loss)	256	163	(2)	—	417
	231	131	(3)	—	359
Rate-regulated activities	19	68	—	—	87
	(39)	(38)	1	—	(76)
IT Common Matters decision	(7)	(4)	—	—	(11)
	(6)	(4)	—	—	(10)
Transition of managed IT services	—	—	—	—	—
	(12)	(14)	—	—	(26)
Dividends on equity preferred shares of the Company	3	2	—	—	5
	4	4	—	—	8
AUC enforcement proceeding	(27)	—	—	—	(27)
	—	—	—	—	—
Workplace COVID-19 vaccination standard	(3)	(5)	—	—	(8)
	—	—	—	—	—
Gain on sale of ownership interest in a subsidiary company	5	—	—	—	5
	—	—	—	—	—
Earnings (loss) for the period	246	224	(2)	—	468
	178	79	(2)	—	255

RATE-REGULATED ACTIVITIES

Electricity Distribution and Transmission and their subsidiary, ATCO Electric Yukon, and their investment in joint venture, Northland Utilities, 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)	2022	2021	Change	2022	2021	Change
Additional revenues billed in current period						
Future removal and site restoration costs ⁽¹⁾	29	26	3	91	85	6
Revenues to be billed in future periods						
Deferred income taxes ⁽²⁾	(18)	(17)	(1)	(63)	(71)	8
Distribution rate relief ⁽³⁾	—	(20)	20	—	(95)	95
Impact of warmer temperatures ⁽⁴⁾	(6)	(4)	(2)	(8)	(5)	(3)
Settlement of regulatory decisions and other items						
Distribution rate relief ⁽³⁾	19	—	19	84	—	84
Other	(14)	7	(21)	(17)	10	(27)
	10	(8)	18	87	(76)	163

(1) Removal and site restoration costs are billed to customers over the estimated useful life of the related assets based on forecast costs to be incurred in future periods.

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

(3) During the three and nine months ended September 30, 2021, in response to the ongoing COVID-19 pandemic, Electricity Distribution and Natural Gas Distribution applied for interim rate relief for customers to hold current distribution base rates in place. Following approval by the AUC, Electricity Distribution and Natural Gas Distribution recorded a decrease in earnings for the three and nine months ended September 30, 2021 of \$20 million and \$95 million (after-tax). Based on direction from the AUC, collection of 2021 deferred rates will be maximized in 2022. For the three and nine months ended September 30, 2022, \$19 million and \$84 million (after-tax) was billed to customers.

(4) 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.

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 three and nine months ended September 30, 2022 was \$4 million and \$11 million (after-tax) (2021 - \$3 million and \$10 million).

TRANSITION OF MANAGED IT SERVICES

In 2020, the Company's parent, Canadian Utilities Limited, signed a Master Services Agreement with IBM Canada Ltd. (subsequently novated to Kyndryl Canada Ltd.) to provide managed information technology services. These services were previously provided by Wipro Ltd. under a ten-year MSA expiring in December 2024. The transition of the managed IT services from Wipro to IBM commenced on February 1, 2021 and was complete by December 31, 2021.

The Company recognized transition costs of \$6 million and \$26 million (after-tax), respectively, during the three and nine months ended September 30, 2021.

AUC ENFORCEMENT PROCEEDING

On April 14, 2022, the AUC Enforcement branch and ATCO Electric Transmission filed a settlement with the AUC regarding a sole source contract for the Jasper interconnection project. On June 29, 2022, the AUC issued its decision approving the settlement in its entirety. In the fourth quarter of 2021 and first quarter of 2022, the Company recognized costs of \$14 million and \$27 million (after-tax), respectively, related to the proceeding.

WORKPLACE COVID-19 VACCINATION STANDARD

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

GAIN ON SALE OF OWNERSHIP INTEREST IN A SUBSIDIARY COMPANY

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

The following table reconciles adjusted earnings for the Utilities to the directly comparable financial measure, earnings for the period.

							Three Months Ended September 30
(\$ millions)							
2022	CU Inc.						
2021	Electricity			Natural Gas			Consolidated
	Electric Distribution	Electric Transmission	Consolidated Electricity	Natural Gas Distribution	Natural Gas Transmission	Consolidated Natural Gas	
Adjusted earnings (loss)	40	41	81	(16)	22	6	87
	35	38	73	(18)	21	3	76
Rate-regulated activities	(8)	6	(2)	15	(3)	12	10
	(4)	(1)	(5)	5	(8)	(3)	(8)
IT Common Matters decision	(1)	(2)	(3)	(1)	—	(1)	(4)
	(1)	(1)	(2)	—	(1)	(1)	(3)
Transition of managed IT services	—	—	—	—	—	—	—
	(3)	—	(3)	(3)	—	(3)	(6)
Dividends on equity preferred shares of the Company	—	1	1	—	—	—	1
	—	1	1	—	2	2	3
Earnings (loss) for the period	31	46	77	(2)	19	17	94
	27	37	64	(16)	14	(2)	62

(\$ millions)

2022	CU Inc.						
2021	Electricity			Natural Gas			Consolidated
	Electric Distribution	Electric Transmission	Consolidated Electricity	Natural Gas Distribution	Natural Gas Transmission	Consolidated Natural Gas	
Adjusted earnings	128	128	256	95	68	163	419
	114	117	231	70	61	131	362
Rate-regulated activities	(7)	26	19	72	(4)	68	87
	(52)	13	(39)	(23)	(15)	(38)	(77)
IT Common Matters decision	(3)	(4)	(7)	(3)	(1)	(4)	(11)
	(3)	(3)	(6)	(2)	(2)	(4)	(10)
Transition of managed IT services	—	—	—	—	—	—	—
	(9)	(3)	(12)	(12)	(2)	(14)	(26)
Dividends on equity preferred shares of the Company	1	2	3	1	1	2	5
	1	3	4	2	2	4	8
AUC enforcement proceeding	—	(27)	(27)	—	—	—	(27)
	—	—	—	—	—	—	—
Workplace COVID-19 vaccination standard	(2)	(1)	(3)	(3)	(2)	(5)	(8)
	—	—	—	—	—	—	—
Gain on sale of ownership interest in a subsidiary company	5	—	5	—	—	—	5
	—	—	—	—	—	—	—
Earnings for the period	122	124	246	162	62	224	470
	51	127	178	35	44	79	257

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, 2022, and ended on September 30, 2022, 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", "goals", "targets", "strategy", "future", and similar expressions. In particular, forward-looking information in this MD&A includes, but is not limited to, references to general strategic plans and targets, including with respect to the commitment to achieve net zero GHG emissions by 2050, and meeting certain environmental, social and governance targets.

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

The Company's actual results could differ materially from those anticipated in this forward-looking information as a result of, among other things, risks inherent in the performance of assets; capital efficiencies and cost savings; applicable laws and government policies; regulatory decisions; competitive factors in the industries in which the Company operates; prevailing economic conditions (including as may be affected by the COVID-19 pandemic); credit risk; interest rate fluctuations; the availability and cost of labour, materials, services, and infrastructure; the development and execution of projects; prices of electricity, natural gas, natural gas liquids, and renewable energy; the development and performance of technology and new energy efficient products, services, and programs including but not limited to the use of zero-emission and renewable fuels, carbon capture, and storage, electrification of equipment powered by zero-emission energy sources and utilization and availability of carbon offsets; the occurrence of unexpected events such as fires, severe weather conditions, explosions, blow-outs, equipment failures, transportation incidents, and other accidents or similar events; and other risk factors, many of which are beyond the control of the Company. Due to the interdependencies and correlation of these factors, the impact of any one material assumption or risk on a forward-looking statement cannot be determined with certainty. Readers are cautioned that the foregoing lists are not exhaustive. For additional information about the principal risks that the Company faces, see "Business Risks and Risk Management" in the Company's Management's Discussion and Analysis for the year ended December 31, 2021.

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, 2022. Copies of these documents may be obtained upon request from Investor Relations at 3rd Floor, West Building, 5302 Forand Street S.W., Calgary, Alberta, T3E 8B4, telephone 403-292-7500, or email investorrelations@atco.com.

GLOSSARY

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

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

ESG means Environmental, Social and Governance.

GAAP means Canadian generally accepted accounting principles.

GHG means greenhouse gas.

IFRS means International Financial Reporting Standards.