DISCLAIMER

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

CANADIAN UTILITIES LIMITED
An ATCO Company

CANADIAN UTILITIES LIMITED
An ATCO Company

CANADIAN UTILITIES LIMITED
FINANCIAL INFORMATION

FOR THE THREE MONTHS ENDED MARCH 31, 2021

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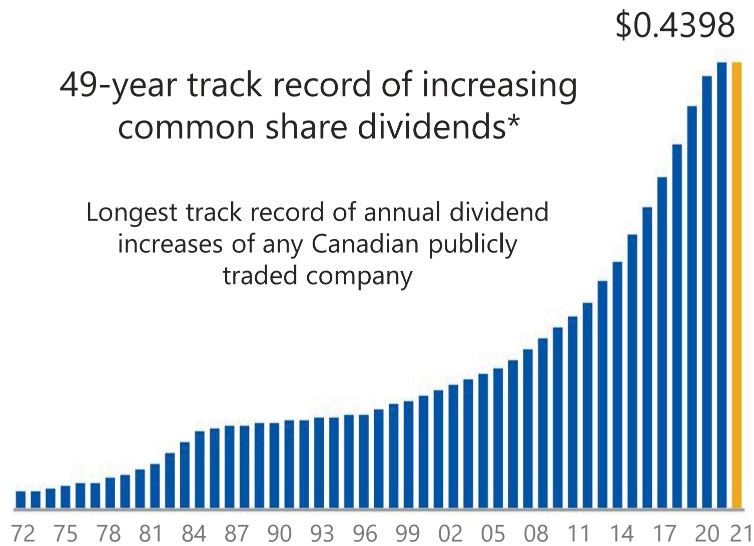
Q1 2021 INVESTOR FACT SHEET

canadianutilities.com
ELECTRICITY | PIPELINES & LIQUIDS

CANADIAN UTILITIES LIMITED
An ATCO Company

Canadian Utilities is an ATCO company with approximately 4,500 employees and assets of $20 billion. As a diversified global energy infrastructure corporation, Canadian Utilities offers comprehensive solutions and operational excellence in Utilities (electricity and natural gas transmission and distribution, and international electricity operations); Energy Infrastructure (electricity generation, energy storage, and industrial water solutions); and Retail Energy (electricity and natural gas retail sales).

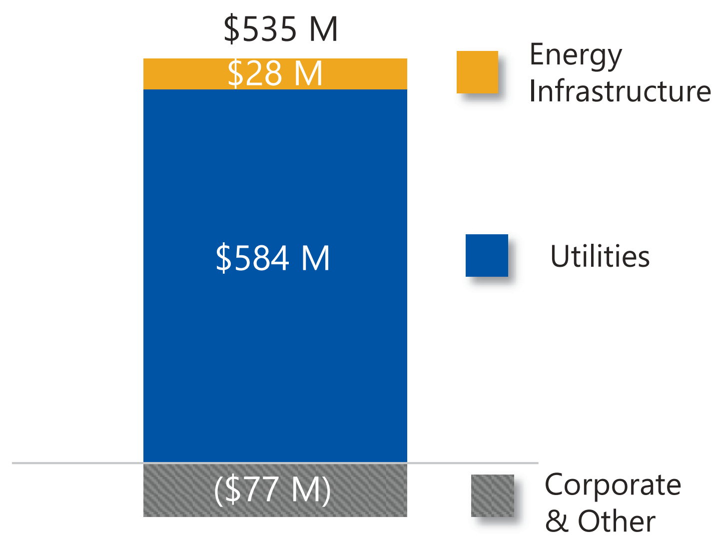
TRACK RECORD OF DIVIDEND GROWTH



* On April 14, 2021, Canadian Utilities declared a second quarter dividend of 43.98 cents per share, or $1.76 per share annualized.

HIGH QUALITY EARNINGS BASE

2020 ADJUSTED EARNINGS



CANADIAN UTILITIES AT A GLANCE

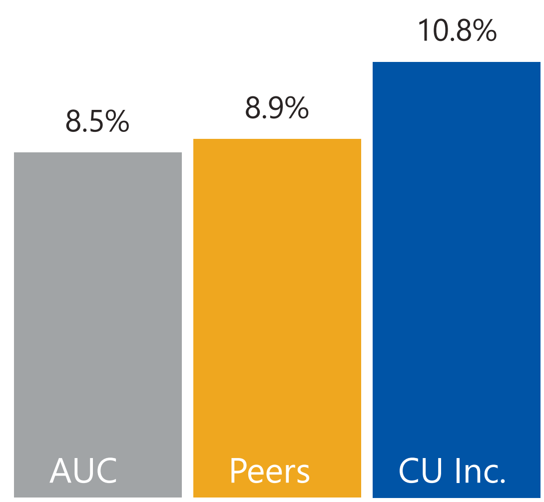
"A-" rating by Standard & Poor's; "A" rating by DBRS Limited

Total Assets	$20 Billion
Electric Powerlines	75,000 kms
Pipelines	64,000 kms
Power Generation Operated Power Generation Owned	398 MW * 293 MW *
Water Infrastructure Capacity	85,200 m3/d **
Natural Gas Storage Capacity	52 PJ ***
Hydrocarbon Storage Capacity	400,000 m^3 ****

*megawatts **cubic metres per day ***petajoules ****cubic metres

TOP TIER RETURNS ON EQUITY

CU Inc.'s average ROE is +2.3 per cent above average AUC approved over last 10 years



10-year Average (2010 – 2019)

CANADIAN UTILITIES SHARE INFORMATION

Common Shares (TSX): CU, CU.X

Market Capitalization	$9 billion
Weighted Average Common Shares Outstanding	272 million

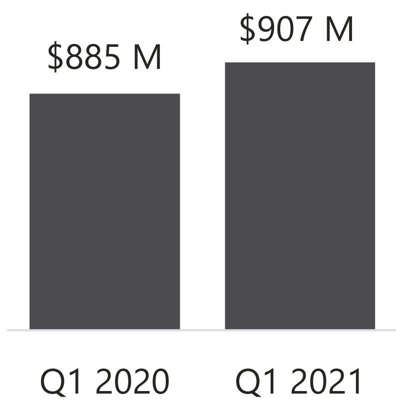
It is important for prospective owners of Canadian Utilities shares to understand that Canadian Utilities Limited is a diversified group of companies principally controlled by ATCO Ltd., which in turn is principally controlled by Sentgraf, a Southern family holding company. It is also important for present and prospective share owners to understand that the Canadian Utilities share registry has both Class A non-voting (CU) and Class B common (CU.X) shares.

Alberta Utility Average (excluding CU Inc.) is a simple average and includes AltaGas, AltaLink, Enmax Distribution, Enmax Transmission, EPCOR Distribution, EPCOR Transmission, and Fortis Alberta. CU Inc. average is a simple average and includes Electricity Distribution, Electricity Transmission, Natural Gas Distribution, and Natural Gas Transmission.

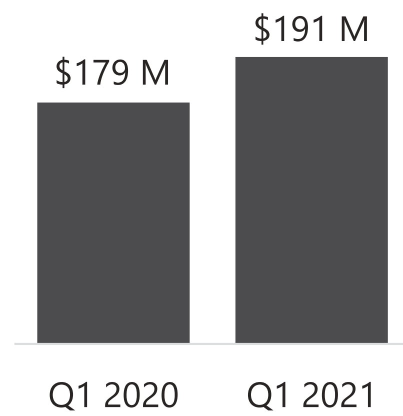
Adjusted earnings are earnings attributable to equity owners of the Company after adjusting for the timing of revenues and expenses associated with rate-regulated activities, dividends on equity preferred shares of the Company, and unrealized gains or losses on mark-to-market forward and swap commodity contracts. Adjusted earnings also exclude one-time gains and losses, significant impairments, and items that are not in the normal course of business or a result of day-to-day operations. Certain statements in this document contain forward-looking information. Please refer to our forward-looking information disclaimer in Canadian Utilities' management's discussion and analysis for more information.

Q1 2021 RESULTS

CONSOLIDATED REVENUES



CONSOLIDATED ADJUSTED EARNINGS



UTILITIES

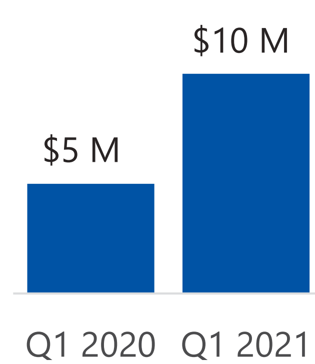
- Higher adjusted earnings were mainly due to cost efficiencies and continued growth in the asset base, earnings from International Electricity Operations, and a higher inflation rate and stronger Australian dollar in International Gas Distribution.
- Invested $220 million in capital projects in the regulated utilities.
- Filed an application with the Alberta Utilities Commission on March 1, 2021 to postpone Electricity and Natural Gas Distribution utility rate increases for 2021 and collect the deferred amounts commencing in 2023. The current economic situation in Alberta, including hardships faced by customers due to the COVID-19 pandemic, is the rationale for the rate freeze.
- Received several regulatory decisions in the first quarter of 2021 which provide regulatory certainty into the future.

ADJUSTED EARNINGS

ENERGY INFRASTRUCTURE

- Higher adjusted earnings were mainly due to demand for natural gas storage services and recovered business development costs.
- Acquired the rights to develop the 325-MW Central West Pumped Storage Hydro project, located approximately 175 km west of Sydney, Australia. The project is in close proximity to significant renewable energy resources and will be integral in supporting the development of new renewable generation capacity in the state of New South Wales. A final investment decision on project construction is expected in 2023.

ADJUSTED EARNINGS



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CANADIAN UTILITIES LIMITED
An ATCO Company

2021 FIRST QUARTER FINANCIAL INFORMATION

INVESTOR FACT SHEET

MANAGEMENT'S DISCUSSION AND ANALYSIS

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2021

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CANADIAN UTILITIES LIMITED
An ATCO Company

CANADIAN UTILITIES LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2021

This Management's Discussion and Analysis (MD&A) is meant to help readers understand key operational and financial events that influenced the results of Canadian Utilities Limited (Canadian Utilities, our, we, us, or the Company) during the three months ended March 31, 2021.

This MD&A was prepared as of April 28, 2021, and should be read with the Company's unaudited interim consolidated financial statements for the three months ended March 31, 2021. Additional information, including the Company's previous MD&A (2020 MD&A), Annual Information Form (2020 AIF), and audited consolidated financial statements for the year ended December 31, 2020 is available on SEDAR at www.sedar.com. Information contained in the 2020 MD&A is not discussed in this MD&A if it remains substantially unchanged.

The Company is controlled by ATCO Ltd. and its controlling share owner, Sentgraf Enterprises Ltd. and its controlling share owner, the Southern family.

Terms used throughout this MD&A are defined in the Glossary at the end of this document.

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PERFORMANCE OVERVIEW

FINANCIAL METRICS

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

($ millions, except per share data and outstanding shares)	Three Months Ended March 31 2021	 2020	 Change
Key Financial Metrics			
Revenues	**907**	885	22
Adjusted earnings (1)	**191**	179	12
Utilities	**201**	189	12
Energy Infrastructure	**10**	5	5
Corporate & Other	**(20)**	(15)	(5)
Adjusted earnings ($ per share) (1)	**0.70**	0.66	0.04
Earnings attributable to equity owners of the Company	**141**	160	(19)
Earnings attributable to Class A and Class B shares	**124**	143	(19)
Earnings attributable to Class A and Class B shares ($ per share)	**0.46**	0.52	(0.06)
Cash dividends declared per Class A and Class B share (cents per share)	**43.98**	43.54	0.44
Funds generated by operations (1)	**443**	466	(23)
Capital investment (1)	**230**	259	(29)
Other Financial Metrics			
Weighted average Class A and Class B shares outstanding *(thousands):*			
Basic	**272,013**	272,682	(669)
Diluted	**272,458**	273,289	(831)

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

REVENUES

Revenues for the first quarter of 2021 were $907 million, $22 million higher than the same period in 2020. Higher revenues were mainly due to improved performance at ATCOenergy resulting from higher electricity and natural gas commodity prices and customer growth.

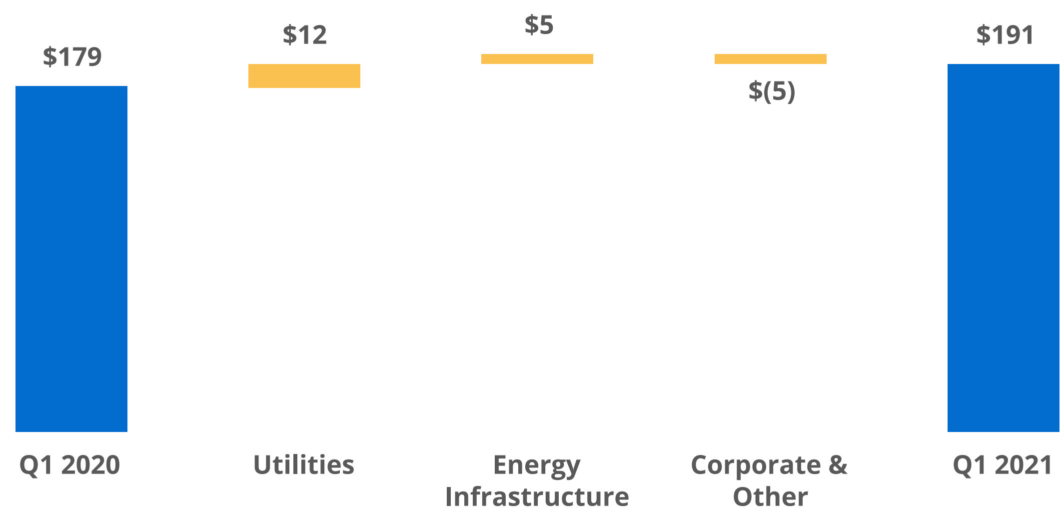
ADJUSTED EARNINGS

Our adjusted earnings in the first quarter of 2021 were $191 million or $0.70 per share compared to $179 million or $0.66 per share for the same period in 2020.

The primary drivers of adjusted earnings results were as follows:

- Utilities adjusted earnings in the first quarter of 2021 were $12 million higher than the same period in 2020. Higher earnings were mainly due to cost efficiencies, continued growth in the regulated rate base and earnings from International Electricity Operations.
- Energy Infrastructure adjusted earnings in the first quarter of 2021 were $5 million higher than the same period in 2020 mainly due to demand for natural gas storage services and recovered business development costs.

Adjusted Earnings ($ Millions)



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

EARNINGS ATTRIBUTABLE TO EQUITY OWNERS OF THE COMPANY

Earnings attributable to equity owners of the Company were $141 million in 2021, $19 million lower compared to 2020. Earnings attributable to equity owners of the Company include timing adjustments related to rate-regulated activities, dividends on equity preferred shares of the Company, unrealized gains or losses on mark-to-market forward and swap commodity contracts, one-time gains and losses, significant impairments, and items that are not in the normal course of business or a result of day-to-day operations. These items are not included in adjusted earnings.

In the fourth quarter of 2020 and first quarter of 2021, the Company signed Master Services Agreements (MSA) with IBM Canada Ltd. and IBM Australia Limited (IBM), respectively, to provide managed information technology (IT) services. These services are currently provided by Wipro Ltd. (Wipro) under a ten-year MSA expiring in December 2024. For the three months ended March 31, 2021, Canadian Utilities recognized $11 million (after-tax) in termination and transition costs. As these costs are not in the normal course of business, they have been excluded from Adjusted Earnings.

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

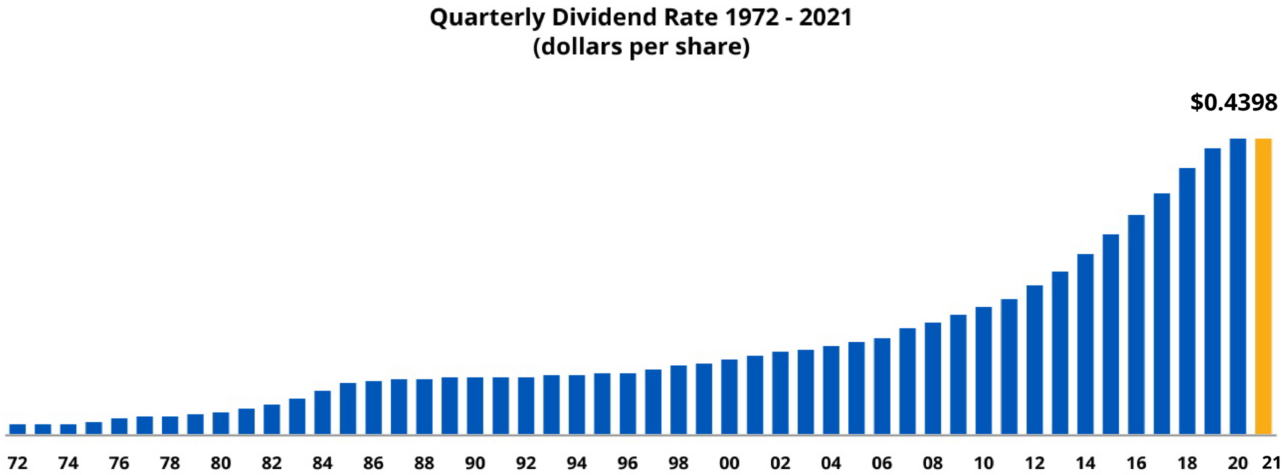
Earnings attributable to equity owners of the Company are earnings attributable to Class A and Class B shares plus dividends on equity preferred shares of the Company. Additional information regarding earnings attributable to Class A and Class B shares is presented in Note 5 of the unaudited interim consolidated financial statements.

FUNDS GENERATED BY OPERATIONS

Funds generated by operations were $443 million in the first quarter of 2021, $23 million lower compared to the same period in 2020. The decrease was mainly due to the timing of certain revenues and expenses. Lower funds generated by operations were partially offset by higher customer contributions for Electricity Transmission capital investments.

COMMON SHARE DIVIDENDS

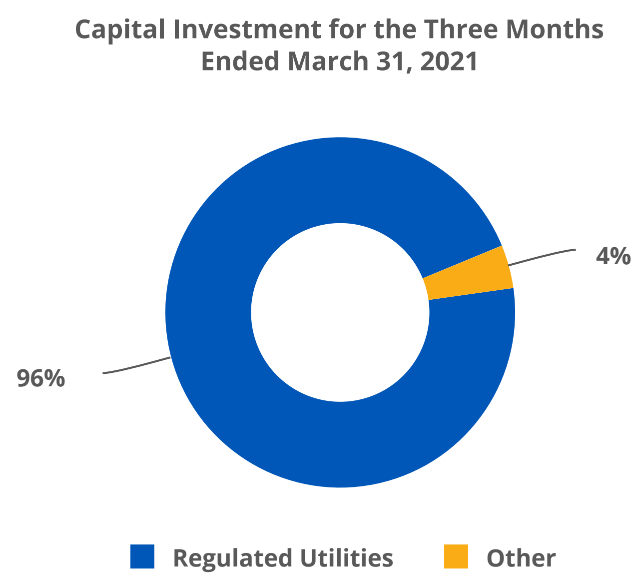
Dividends paid to Class A and Class B share owners totaled $120 million in the first quarter of 2021. On April 14, 2021, the Board of Directors declared a second quarter dividend of 43.98 cents per share.



CAPITAL INVESTMENT

Total capital investment of $230 million in the first quarter of 2021 was $29 million lower compared to the same period in 2020 mainly due to timing of capital investment in the Utilities and the completion of construction in the first quarter of 2020 on the Pembina-Keephills transmission pipeline in the Natural Gas Transmission business.

Capital spending in the Regulated Utilities accounted for 96 per cent of total capital invested in the first quarter of 2021. The remaining 4 per cent invested in the first quarter of 2021 included construction of Storage & Industrial Water's long-term contracted hydrocarbon storage cavern in Fort Saskatchewan, Alberta.



BUSINESS UNIT PERFORMANCE

REVENUES

Utilities revenues of $790 million in the first quarter of 2021 were comparable to the same period in 2020.

Revenue growth for Electricity and Natural Gas Distribution in the first quarter of 2021 has been deferred to be collected in a future period as a result of our decision to provide rate relief to customers in light of the current COVID-19 global pandemic and economic situation in Alberta.

ADJUSTED EARNINGS

	Three Months Ended March 31		
($ millions)	**2021**	**2020**	**Change**
Electricity			
Electricity Distribution	**42**	35	7
Electricity Transmission	**43**	43	—
International Electricity Operations	**5**	—	5
Total Electricity	**90**	78	12
Natural Gas			
Natural Gas Distribution	**81**	82	(1)
Natural Gas Transmission	**19**	22	(3)
International Natural Gas Distribution	**11**	7	4
Total Natural Gas	**111**	111	—
Total Utilities Adjusted Earnings	**201**	189	12

Utilities adjusted earnings of $201 million in the first quarter of 2021 were $12 million higher than the same period in 2020. Higher earnings were mainly due to cost efficiencies and continued growth in the regulated rate base, earnings from International Electricity Operations, and favourable inflation rate and foreign exchange adjustments in International 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.

Electricity Distribution adjusted earnings of $42 million in the first quarter of 2021 were $7 million higher compared to the same period in 2020. Higher earnings were mainly due to 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 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 $43 million in the first quarter of 2021 were comparable to the same period in 2020.

International Electricity Operations

International Electricity Operations includes a 50 per cent ownership in LUMA Energy, a company formed to transform, modernize and operate Puerto Rico's 30,000-km electricity transmission and distribution system under an Operations and Maintenance Agreement with the Puerto Rico Public-Private Partnerships Authority for a 15-year term after a one-year transition period which commenced on June 22, 2020.

International Electricity Operations adjusted earnings in the first quarter of 2021 were $5 million due to continued operations and maintenance transition work.

Natural Gas Distribution

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

Natural Gas Distribution adjusted earnings of$81 million in the first quarter of 2021 were $1 million lower than the same period in 2020. Lower earnings were mainly due to the timing of operating costs, partially offset by growth in rate base.

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 $19 million in the first quarter of 2021 were $3 million lower than the same period in 2020. Lower adjusted earnings were mainly due to the impact of the 2021-2023 General Rate Application decision which included operating cost efficiencies implemented in prior periods that are being passed on to customers.

International Natural Gas Distribution

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

International Natural Gas Distribution adjusted earnings of $11 million in the first quarter of 2021 were $4 million higher compared to the same period in 2020. Higher earnings were mainly due to an adjustment for the impact of the forecasted inflation rate and favourable foreign exchange movements.

UTILITIES REGULATORY DEVELOPMENTS

COMMON MATTERS

2021 Rate Relief Application

In December 2020, the AUC approved Electric Distribution and Natural Gas Distribution requests to defer rate increases which would normally have come into effect on January 1, 2021. The AUC directed Electricity Distribution and Natural Gas Distribution to file an application outlining the duration of the rate freeze and collection timeline.

On March 1, 2021, Canadian Utilities filed a 2021 Rate Relief Application for Electricity Distribution and Natural Gas Distribution to postpone rate increases for the full year 2021 and collect the deferred amounts commencing in 2023 for no more than a 5-year period. This application aligns with our long-standing practice of supporting the communities we have the privilege to serve. The current economic situation in Alberta, including hardships faced by customers due to the COVID-19 pandemic, is the rationale for the rate freeze.

Distribution Regulatory Framework - Post 2022

On March 1, 2021, the AUC initiated a process to set revenues and rates for Electricity Distribution and Natural Gas Distribution for 2023 as well as a process to evaluate the merits of PBR to date. These processes will address how a one-year cost-of-service study for 2023 will be undertaken as well as a proceeding to determine the regulatory framework for Alberta distribution utilities going forward. ###

Generic Cost of Capital (GCOC)

On March 4, 2021, the AUC issued a decision on the 2022 GCOC proceeding. The Commission approved the extension of the current return on equity of 8.5 per cent and equity thickness ratio of 37 per cent on a final basis for the 2022 period.

ELECTRICITY TRANSMISSION

2020-2022 General Tariff Application (GTA)

In October 2019, Electricity Transmission filed a GTA for its operations for 2020, 2021, and 2022. The decision was received in March 2021 approving the vast majority of requested capital expenditures and operating costs as filed.

NATURAL GAS TRANSMISSION

Natural Gas Transmission 2021-2023 General Rate Application (GRA)

In June 2020, Natural Gas Transmission filed a GRA for the period 2021-2023. The decision was received in March 2021, approving the vast majority of requested capital expenditures and operating costs as filed, which included operating cost efficiencies implemented in prior periods that are being passed on to customers. The decision also approved a placeholder treatment for the Pioneer Pipeline acquisition pending a decision from the AUC on the acquisition proceeding. A decision is expected in the second quarter of 2021.

REVENUES

Energy Infrastructure revenues of $52 million in the first quarter of 2021 were $2 million higher than the same period in 2020 mainly due to demand for natural gas storage services.

ADJUSTED EARNINGS

	Three Months Ended March 31		
($ millions)	**2021**	**2020**	**Change**
Electricity Generation	**6**	4	2
Storage & Industrial Water	**4**	1	3
Total Energy Infrastructure Adjusted Earnings	**10**	5	5

Energy Infrastructure adjusted earnings of $10 million in the first quarter of 2021 were $5 million higher than the same period in 2020 mainly due to demand for natural gas storage services and recovered business development costs.

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

Electricity Generation

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

Electricity Generation adjusted earnings of $6 million in the first quarter of 2021 were $2 million higher than the same period in 2020. Higher earnings were mainly due to recovered business development costs, lower costs of repairs and maintenance at the Karratha Power Station compared to the prior year, and favourable movements in the Australian foreign exchange rate.

Storage & Industrial Water

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

Storage & Industrial Water adjusted earnings of$4 million in the first quarter of 2021 were $3 million higher than the same period in 2020. Higher earnings were mainly due to demand for natural gas storage services.

ENERGY INFRASTRUCTURE RECENT DEVELOPMENTS

Central West Pumped Storage Hydro Project

On February 1, 2021, Canadian Utilities announced an agreement to acquire the rights to develop the 325-MW Central West Pumped Storage Hydro project, located approximately 175 km west of Sydney, Australia. The acquisition marks Canadian Utilities' first renewable energy investment on Australia's east coast. The project is in close proximity to significant renewable energy resources and will be integral in supporting the development of new renewable generation capacity in the state of New South Wales. A final investment decision on project construction is expected in 2023.

CORPORATE & OTHER

Canadian Utilities' Corporate & Other segment includes Retail Energy through ATCOenergy which provides retail electricity and natural gas services in Alberta. Corporate & Other also includes the global corporate head office in Calgary, Canada, the Australia corporate head office in Perth, Australia and the Mexico corporate head office in Mexico City, Mexico. Canadian Utilities Corporate & Other includes CU Inc. and Canadian Utilities preferred share dividend and debt expenses.

ADJUSTED EARNINGS

	Three Months Ended March 31		
($ millions)	**2021**	**2020**	**Change**
Canadian Utilities Corporate & Other	**(20)**	(15)	(5)

Including intersegment eliminations, Canadian Utilities' Corporate & Other adjusted earnings in the first quarter of 2021 were $5 million lower than the same period in 2020 mainly due to the timing of certain expenses, partially offset by improved earnings at ATCOenergy.

OTHER EXPENSES AND INCOME

A financial summary of other consolidated expenses and income items for the first quarter of 2021 and 2020 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)	**2021**	**2020**	**Change**
Operating costs	**481**	429	52
Depreciation and amortization	**154**	143	11
Earnings from investment in joint ventures	**13**	6	7
Net finance costs	**97**	94	3
Income tax expense	**45**	63	(18)

OPERATING COSTS

Operating costs, which are total costs and expenses less depreciation and amortization, were $52 million higher in the first quarter of 2021 compared to the same period in 2020. Higher operating costs were mainly due to higher flow-through Alberta-system natural gas transmission costs in the Utilities, higher electricity costs in ATCOenergy, and the recognition of termination and transition costs in the first quarter of 2021 related to the early termination of the Master Services Agreement with Wipro for managed IT services.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization increased by $11 million in the first quarter of 2021 compared to the same period in 2020 mainly due to continued capital investment in the Regulated Utilities.

EARNINGS FROM INVESTMENT IN JOINT VENTURES

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

Earnings from investment in joint ventures increased by $7 million in the first quarter of 2021 compared to the same period in 2020 mainly due to earnings at LUMA Energy with the commencement of transition work under the Operations and Maintenance Agreement in June 2020.

NET FINANCE COSTS

Net finance costs increased by $3 million in the first quarter of 2021 when compared to the same period in 2020 mainly due to lower interest income resulting from lower interest rates received on bank balances.

INCOME TAX

Income taxes were lower by $18 million in the first quarter of 2021 compared to the same period in 2020 mainly due to lower earnings before income taxes as a result of the timing of certain revenues and expenses, termination and transition costs from the early termination of the Master Services Agreement with Wipro for managed IT services, and a foreign exchange adjustment to the deferred tax asset in Mexico.

LIQUIDITY AND CAPITAL RESOURCES

Our financial position is supported by Regulated Utilities and long-term contracted 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 and the debt and capital markets.

Under normal market conditions, we consider it prudent to maintain enough liquidity to fund approximately one full year of cash requirements to preserve strong financial flexibility. Liquidity is generated by cash flow from operations and is supported by appropriate levels of cash and available committed credit facilities.

LINES OF CREDIT

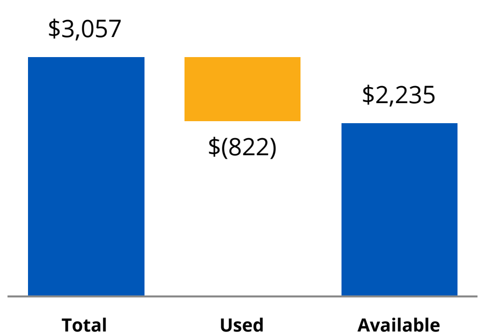
At March 31, 2021, Canadian Utilities and its subsidiaries had the following lines of credit.

($ millions)	**Total**	**Used**	**Available**
Long-term committed	**2,504**	660	1,844
Uncommitted	**553**	162	391
Total	**3,057**	822	2,235

Of the $3,057 million in total lines of credit, $553 million was in the form of uncommitted credit facilities with no set maturity date. The other $2,504 million in credit lines was committed, with maturities between 2022 and 2024, and may be extended at the option of the lenders.

Of the $822 million in lines of credit used, $660 million was related to ATCO Gas Australia Pty Ltd. Long-term committed credit lines are used to satisfy all of ATCO Gas Australia Pty Ltd.'s term debt financing needs. The majority of the remaining usage pertains to the issuance of letters of credit.

Lines of Credit
($ millions)



CONSOLIDATED CASH FLOW

At March 31, 2021, the Company's cash position was $830 million, an increase of $52 million compared to December 31, 2020 mainly due to funds generated by operations achieved during the quarter and the recovery of incurred costs related to the termination of the La Laguna Cogeneration facility contract in the first quarter of 2021, partially offset by dividends paid and cash used to fund the capital investment program.

Funds Generated by Operations

Funds generated by operations were $443 million in the first quarter of 2021, $23 million lower compared to the same period in 2020. The decrease was mainly due to the timing of certain revenues and expenses. Lower funds generated by operations were partially offset by higher customer contributions for Electricity Transmission capital investments.

Funds generated by operations in 2021 are expected to be adversely impacted as a result of Canadian Utilities' decision to provide rate relief to customers through the deferral of rate increases for Electricity Distribution and Natural Gas Distribution and the proposal to the AUC to collect these deferred amounts beginning in 2023.

Cash Used for Capital Investment

Cash used for capital investment was $230 millionin the first quarter of 2021, $29 million lower compared to the same period in 2020 mainly due to timing of capital investment in the Utilities and the completion of construction in the first quarter of 2020 on the Pembina-Keephills transmission pipeline in the Natural Gas Transmission business.

Capital investment for the first quarter of 2021 and 2020 is shown in the table below.

	Three Months Ended March 31		
($ millions)	**2021**	**2020**	**Change**
Utilities			
Electricity Distribution	**54**	66	(12)
Electricity Transmission	**34**	42	(8)
Natural Gas Distribution	**56**	57	(1)
Natural Gas Transmission	**60**	73	(13)
International Natural Gas Distribution	**16**	11	5
	220	249	(29)
Energy Infrastructure			
Electricity Generation	**—**	2	(2)
Storage & Industrial Water	**8**	6	2
	8	8	—
CU Corporate & Other	**2**	2	—
Canadian Utilities Total Capital Investment (1) (2) (3)	**230**	259	(29)

(1) Includes capital expenditures in joint ventures of $5 million(2020 - $2 million) for the first quarter of 2021.

(2) Includes additions to property, plant and equipment, intangibles and $3 million (2020 - $5 million) of interest capitalized during construction for the first quarter of 2021.

(3) Includes $56 million (2020 - $26 million) of capital investment, mainly in the Utilities, 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 permits it to issue up to an aggregate of $1.2 billion of debentures over the 25-month life of the prospectus. As of April 28, 2021, aggregate issuances of debentures were $150 million.

Dividends and Common Shares

We have increased our common share dividend each year since 1972, a 49-year track record. Dividends paid to Class A and Class B share owners totaled $120 million in the first quarter of 2021.

On April 14, 2021, the Board of Directors declared a second quarter dividend of 43.98 cents per share. The payment of any dividend is at the discretion of the Board of Directors and depends on our financial condition and other factors.

Normal Course Issuer Bid

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

On July 22, 2020, we commenced a normal course issuer bid to purchase up to 3,996,004 outstanding Class A shares. This bid will expire on July 21, 2021. From July 22, 2020 to April 27, 2021, 2,265,600 shares were purchased for $71 million, of which 1,845,600 shares for $58 million were purchased in the first quarter of 2021.

SHARE CAPITAL

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

At April 27, 2021, we had outstanding 197,819,351 Class A shares, 73,204,774 Class B shares, and options to purchase 1,233,150 Class A shares.

CLASS A NON-VOTING SHARES AND CLASS B COMMON SHARES

Class A and Class B share owners are entitled to share equally, on a share for share basis, in all dividends the Company declares on either of such classes of shares as well as in the Company's remaining property on dissolution. Class B share owners are entitled to vote and to exchange at any time each share held for one Class A share.

If a take-over bid is made for the Class B shares and if it would result in the offeror owning more than 50 per cent of the outstanding Class B shares (excluding any Class B shares acquired upon conversion of Class A shares), the Class A share owners are entitled, for the duration of the take-over bid, to exchange their Class A shares for Class B shares and to tender the newly exchanged Class B shares to the take-over bid. Such right of exchange and tender is conditional on completion of the applicable take-over bid.

In addition, Class A share owners are entitled to exchange their shares for Class B shares if ATCO Ltd., the Company's controlling share owner, ceases to own or control, directly or indirectly, more than 10,000,000 of the issued and outstanding Class B shares. In either case, each Class A share is exchangeable for one Class B share, subject to changes in the exchange ratio for certain events such as a stock split or rights offering.

Of the 12,800,000 Class A shares authorized for grant of options under our stock option plan, 4,562,700 Class A shares were available for issuance at March 31, 2021. Options may be granted to officers and key employees of the Company and its subsidiaries at an exercise price equal to the weighted average of the trading price of the shares on the Toronto Stock Exchange for the five trading days immediately preceding the grant date. The vesting provisions and exercise period (which cannot exceed 10 years) are determined at the time of grant.

QUARTERLY INFORMATION

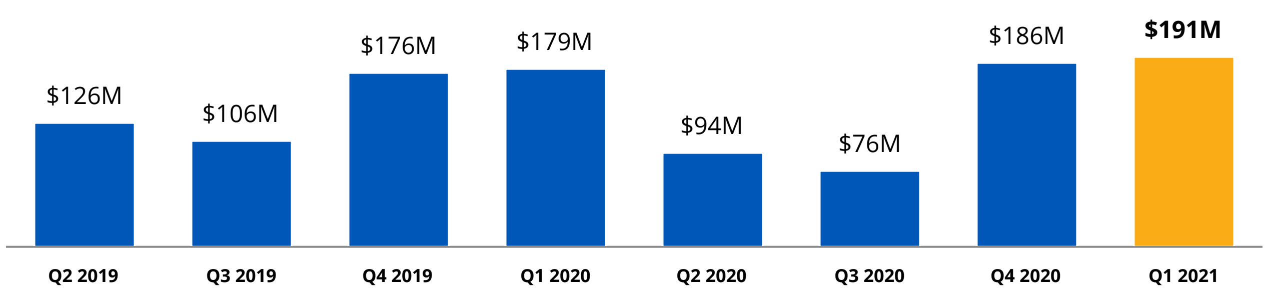
The following table shows financial information for the eight quarters ended June 30, 2019 through March 31, 2021.

($ millions, except for per share data)	Q2 2020	Q3 2020	Q4 2020	Q1 2021
Revenues	740	727	881	**907**
Earnings attributable to equity owners of the Company	72	91	104	**141**
Earnings attributable to Class A and B shares	56	74	87	**124**
Earnings per Class A and Class B share *($)*	0.21	0.27	0.32	**0.46**
Diluted earnings per Class A and Class B share *($)*	0.21	0.27	0.32	**0.46**
Adjusted earnings per Class A and Class B share *($)*	0.34	0.28	0.68	**0.70**
Adjusted earnings (loss)				
Utilities	111	89	195	**201**
Energy Infrastructure	4	7	12	**10**
Corporate & Other and Intersegment Eliminations	(21)	(20)	(21)	**(20)**
Total adjusted earnings	94	76	186	**191**

($ millions, except for per share data)	Q2 2019	Q3 2019	Q4 2019	Q1 2020
Revenues	902	885	929	885
Earnings attributable to equity owners of the Company	299	284	151	160
Earnings attributable to Class A and Class B shares	283	267	134	143
Earnings per Class A and Class B share *($)*	1.03	0.99	0.49	0.52
Diluted earnings per Class A and Class B share *($)*	1.03	0.99	0.49	0.52
Adjusted earnings per Class A and Class B share *($)*	0.46	0.39	0.65	0.66
Adjusted earnings (loss)				
Utilities	129	91	176	189
Energy Infrastructure	19	40	16	5
Corporate & Other and Intersegment Eliminations	(22)	(25)	(16)	(15)
Total adjusted earnings	126	106	176	179

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 2019 and 2020 were impacted by lower seasonal demand in the Natural Gas Distribution business. Adjusted earnings in the fourth quarter of 2020 and first quarter of 2021 were higher compared to the same periods in 2019 and 2020 mainly due to continued cost efficiencies, rate base growth and earnings from International Electricity Operations.

EARNINGS ATTRIBUTABLE TO EQUITY OWNERS OF THE COMPANY

Earnings attributable to equity owners of the Company includes timing adjustments related to rate-regulated activities and unrealized gains or losses on mark-to-market forward and swap commodity contracts. They also include one-time gains and losses, significant impairments, and other items that are not in the normal course of business or a result of day-to-day operations recorded at various times over the past eight quarters. These items are excluded from adjusted earnings and are highlighted below:

- In the second, third and fourth quarters of 2019, Canadian Utilities closed a series of transactions related to the sale of its Canadian fossil fuel-based electricity generation business and Alberta PowerLine resulting in a gain on sale of operations of $125 million (after-tax). As these transactions were one-time in nature, they were excluded from adjusted earnings.
- In 2020, impairment and other costs not in the normal course of business of $30 million (after-tax) were recorded. These costs mainly related to certain assets that no longer represent strategic value for the Company. As these costs were one-time in nature, they were excluded from adjusted earnings.
- In the fourth quarter of 2020 and first quarter of 2021, the Company signed Master Services Agreements with IBM Canada Ltd. and IBM Australia Limited, respectively, to provide managed information technology services. These services are currently provided by Wipro 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 is expected to be completed by the third quarter of 2021. The Company recognized costs of $55 million (after-tax) in the fourth quarter of 2020 and termination and transition costs of $11 million (after-tax) in the first quarter of 2021. As these costs are not in the normal course of business, they have been excluded from adjusted earnings.

NON-GAAP AND ADDITIONAL GAAP MEASURES

Adjusted earnings are defined as earnings attributable to equity owners of the Company after adjusting for the timing of revenues and expenses associated with rate-regulated activities, dividends on equity preferred shares of the Company, and unrealized gains or losses on mark-to-market forward and swap commodity contracts. Adjusted earnings also exclude one-time gains and losses, 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 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 attributable to equity owners of the Company is presented in this MD&A. Adjusted earnings is an additional GAAP measure presented in Note 3 of the unaudited interim consolidated financial statements.

Adjusted earnings per Class A and Class B share is calculated by dividing adjusted earnings by the weighted average number of shares outstanding for the period.

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. A reconciliation of funds generated by operations to cash flows from operating activities is presented in this MD&A.

Capital investment is defined as cash used for capital expenditures, business combinations, and cash used in the Company's proportional share of capital expenditures in joint ventures. In management's opinion, capital investment reflects the Company's total cash investment in assets. Capital expenditures includes additions to property, plant and equipment and intangibles as well as interest capitalized during construction. A reconciliation of capital investments to capital expenditures is presented in this MD&A.

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

Adjusted earnings are earnings attributable to equity owners of the Company after adjusting for the timing of revenues and expenses associated with rate-regulated activities, dividends on equity preferred shares of the Company, and unrealized gains or losses on mark-to-market forward and swap commodity contracts. Adjusted earnings also exclude one-time gains and losses, 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 and Australia than IFRS earnings.

($ millions)					**Three Months Ended March 31**
2021					
2020	**Utilities**	**Energy Infrastructure**	**Corporate & Other**	**Intersegment Eliminations**	**Consolidated**
Revenues	**790**	**52**	**93**	**(28)**	**907**
	789	50	73	(27)	885
Adjusted earnings (loss)	**201**	**10**	**(20)**	**—**	**191**
	189	5	(15)	—	179
Unrealized gains on mark-to-market forward and swap commodity contracts	**—**	**—**	**1**	**—**	**1**
	—	—	6	—	6
Rate-regulated activities	**(52)**	**—**	**—**	**—**	**(52)**
	(31)	—	—	—	(31)
IT Common Matters decision	**(4)**	**—**	**—**	**—**	**(4)**
	(4)	—	—	—	(4)
Transition of managed IT services	**(10)**	**—**	**(1)**	**—**	**(11)**
	—	—	—	—	—
Dividends on equity preferred shares of Canadian Utilities Limited	**2**	**—**	**15**	**—**	**17**
	1	—	16	—	17
Other	**—**	**(1)**	**—**	**—**	**(1)**
	—	(7)	—	—	(7)
Earnings (loss) attributable to equity owners of the Company	**137**	**9**	**(5)**	**—**	**141**
	155	(2)	7	—	160

UNREALIZED GAINS ON MARK-TO-MARKET FORWARD AND SWAP COMMODITY CONTRACTS

The Company's retail electricity and natural gas business in Alberta enters into fixed-price swap commodity contracts to manage exposure to electricity and natural gas prices and volumes. These contracts are measured at fair value. Unrealized gains and losses due to changes in the fair value of the fixed-price swap commodity contracts are recognized in the earnings of the Corporate & Other segment.

The CODM believes that removal of the unrealized gains or losses on mark-to-market forward and swap commodity contracts provides a better representation of operating results for the Company's operations.

Realized gains or losses are recognized in adjusted earnings when the commodity contracts are settled.

RATE-REGULATED ACTIVITIES

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

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

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

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

Timing Adjustment	Items	RRA Treatment	IFRS Treatment
Additional revenues billed in current period	Future removal and site restoration costs, and impact of colder temperatures	The Company defers the recognition of cash received in advance of future expenditures.	The Company recognizes revenues when amounts are billed to customers and costs when they are incurred.
Revenues to be billed in future periods	Deferred income taxes, impact of warmer temperatures, and impact of inflation on rate base	The Company recognizes revenues associated with recoverable costs in advance of future billings to customers.	The Company recognizes costs when they are incurred, but does not recognize their recovery until customer rates are changed and amounts are collected through future billings.
Regulatory decisions received	Regulatory decisions received which relate to current and prior periods	The Company recognizes the earnings from a regulatory decision pertaining to current and prior periods when the decision is received.	The Company does not recognize earnings from a regulatory decision when it is received as regulatory assets and liabilities are not recorded under IFRS.
Settlement of regulatory decisions and other items	Settlement of amounts receivable or payable to customers and other items	The Company recognizes the amount receivable or payable to customers as a reduction in its regulatory assets and liabilities when collected or refunded through future billings.	The Company recognizes earnings when customer rates are changed and amounts are recovered or refunded to customers through future billings.

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)	**2021**	**2020**	**Change**
Additional revenues billed in current period			
Future removal and site restoration costs (1)	**29**	22	7
Impact of colder temperatures (2)	**—**	5	(5)
Revenues to be billed in future periods			
Deferred income taxes (3)	**(25)**	(34)	9
Distribution rate relief (4)	**(41)**	—	(41)
Impact of warmer temperatures (2)	**(2)**	—	(2)
Impact of inflation on rate base (5)	**(7)**	(5)	(2)
Settlement of regulatory decisions and other items (6)	**(6)**	(19)	13
	(52)	(31)	(21)

(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 first quarter of 2021, Electricity Distribution and Natural Gas Distribution recorded a decrease in earnings of $41 million related to interim rate relief for customers as applied for by the Company and approved by the AUC to hold current distribution base rates in place. This will be recovered from customers in future periods.

(5) The inflation-indexed portion of International Gas Distribution's rate base is billed to customers through the recovery of depreciation in subsequent periods based on the actual or forecasted annual rate of inflation. Under rate-regulated accounting, revenue is recognized in the current period for the inflation component of rate base when it is earned. Differences between the amounts earned and the amounts billed to customers are deferred and recognized in revenues over the service life of the related assets.

(6) In the first quarter of 2020, Electricity Distribution recorded a decrease in earnings of $27 million related to the payment of transmission costs. This is being 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 the Company, financial impacts associated with the IT Common Matters decision are excluded from adjusted earnings. The amount excluded from adjusted earnings for the three months ended March 31, 2021 was $4 million (2020 - $4 million).

TRANSITION OF MANAGED IT SERVICES

In the fourth quarter of 2020 and first quarter of 2021, the Company signed Master Services Agreements with IBM Canada Ltd. and IBM Australia Limited, respectively, to provide managed information technology services. These services are currently provided by Wipro 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 is expected to be completed by the third quarter of 2021.

For the three months ended March 31, 2021, Canadian Utilities recognized termination and transition costs of $11 million (after-tax). As these costs are not in the normal course of business, they have been excluded from adjusted earnings.

OTHER

The Company adjusts the deferred tax asset which was recognized as a result of the 2015 Tula Pipeline Project impairment. For the three months ended March 31, 2021, the Company recorded a foreign exchange loss of $1 million (2020 - a foreign exchange loss of $7 million), due to a difference between the tax base currency, which is the Mexican peso, and the U.S. dollar functional currency.

RECONCILIATION OF FUNDS GENERATED BY OPERATIONS TO CASH FLOWS FROM OPERATING ACTIVITIES

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.

($ millions)

	Three Months Ended March 31	
	2021	2020
Funds generated by operations	**443**	466
Changes in non-cash working capital	**68**	23
Cash flows from operating activities	**511**	489

RECONCILIATION OF CAPITAL INVESTMENT TO CAPITAL EXPENDITURES

Capital investment is defined as cash used for capital expenditures, business combinations, and cash used in the Company's proportional share of capital expenditures in joint ventures. In management's opinion, capital investment reflects the Company's total cash investment in assets. Capital expenditures includes additions to property, plant and equipment and intangibles as well as interest capitalized during construction.

($ millions)				**Three Months Ended March 31**
2021 2020	**Utilities**	**Energy Infrastructure**	**CUL Corporate & Other**	**Consolidated**
Capital Investment	**220**	**8**	**2**	**230**
	249	8	2	259
Capital Expenditure in joint ventures	**—**	**(5)**	**—**	**(5)**
	—	(2)	—	(2)
Capital Expenditures	**220**	**3**	**2**	**225**
	249	6	2	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 January 1, 2021, and ended on March 31, 2021, 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

Canadian Utilities has published its unaudited interim consolidated financial statements and MD&A for the three months ended March 31, 2021. 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

AESO means the Alberta Electric System Operator.

Alberta Power Pool means the market for electricity in Alberta operated by AESO.

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

AUC means the Alberta Utilities Commission.

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

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 Canadian Utilities Limited and, unless the context otherwise requires, includes its subsidiaries and joint arrangements.

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

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

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

ECM means Efficiency Carryover Mechanism by which the AUC incents efficiency improvements for the distribution utilities based on certain criteria. If the efficiency improvement criteria are met in a prior PBR term, the ECM provides up to an additional 0.5 per cent return on equity for the first two years of the next PBR term.

GAAP means Canadian generally accepted accounting principles.

GHG means greenhouse gas.

IFRS means International Financial Reporting Standards.

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

LNG means liquefied natural gas.

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

PBR means Performance Based Regulation.

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

CANADIAN UTILITIES LIMITED
An ATCO Company

CANADIAN UTILITIES LIMITED

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE THREE MONTHS ENDED MARCH 31, 2021

TABLE OF CONTENTS

CONSOLIDATED STATEMENTS OF EARNINGS

		Three Months Ended March 31	
(millions of Canadian Dollars except per share data)	**Note**	**2021**	**2020**
Revenues	4	**907**	885
Costs and expenses			
Salaries, wages and benefits		**(86)**	(80)
Energy transmission and transportation		**(64)**	(53)
Plant and equipment maintenance		**(37)**	(45)
Fuel costs		**(29)**	(26)
Purchased power		**(77)**	(65)
Depreciation and amortization		**(154)**	(143)
Franchise fees		**(81)**	(81)
Property and other taxes		**(17)**	(17)
Other		**(90)**	(62)
		(635)	(572)
Earnings from investment in joint ventures		**13**	6
Operating profit		**285**	319
Interest income		**3**	5
Interest expense		**(100)**	(99)
Net finance costs		**(97)**	(94)
Earnings before income taxes		**188**	225
Income tax expense		**(45)**	(63)
Earnings for the period		**143**	162
Earnings attributable to:			
Equity owners of the Company		**141**	160
Non-controlling interests		**2**	2
		143	162
Earnings per Class A and Class B share	5	**$0.46**	$0.52
Diluted earnings per Class A and Class B share	5	**$0.46**	$0.52

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Three Months Ended March 31	
(millions of Canadian Dollars)	**Note**	**2021**	**2020**
Earnings for the period		**143**	162
Other comprehensive income, net of income taxes			
Items that will not be reclassified to earnings:			
Re-measurement of retirement benefits (1)	10	**141**	197
Items that are or may be reclassified subsequently to earnings:			
Cash flow hedges (2)		**8**	(12)
Foreign currency translation adjustment (3)		**(14)**	(57)
		(6)	(69)
Other comprehensive income		**135**	128
Comprehensive income for the period		**278**	290
Comprehensive income attributable to:			
Equity owners of the Company		**276**	288
Non-controlling interests		**2**	2
		278	290

(1) Net of income taxes of $(42) million for the three months ended March 31, 2021 (2020 - $(59) million).

(2) Net of income taxes of $(3) million for the three months ended March 31, 2021 (2020 - $5 million).

(3) Net of income taxes of nil (2020- nil).

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

(millions of Canadian Dollars)	Note	March 31 2021	December 31 2020
ASSETS			
Current assets			
Cash and cash equivalents	11	**831**	781
Accounts receivable and contract assets		**604**	649
Finance lease receivables		**9**	9
Inventories		**29**	28
Prepaid expenses and other current assets		**88**	92
		1,561	1,559
Non-current assets			
Property, plant and equipment	6	**17,576**	17,563
Intangibles		**670**	656
Retirement benefit asset	10	**35**	–
Right-of-use assets		**54**	56
Investment in joint ventures		**178**	165
Finance lease receivables		**161**	164
Deferred income tax assets		**68**	72
Other assets		**64**	61
Total assets		**20,367**	20,296
LIABILITIES			
Current liabilities			
Bank indebtedness	11	**1**	3
Accounts payable and accrued liabilities		**608**	549
Lease liabilities		**8**	9
Provisions and other current liabilities	3	**112**	129
Long-term debt		**167**	166
		896	856
Non-current liabilities			
Deferred income tax liabilities		**1,484**	1,416
Retirement benefit obligations	10	**264**	411
Customer contributions		**1,798**	1,756
Lease liabilities		**46**	47
Other liabilities		**104**	115
Long-term debt		**8,885**	8,887
Total liabilities		**13,477**	13,488
EQUITY			
Equity preferred shares		**1,483**	1,483
Class A and Class B share owners' equity			
Class A and Class B shares	9	**1,223**	1,232
Contributed surplus		**8**	8
Retained earnings		**4,025**	3,928
Accumulated other comprehensive loss		**(36)**	(30)
Total equity attributable to equity owners of the Company		**6,703**	6,621
Non-controlling interests		**187**	187
Total equity		**6,890**	6,808
Total liabilities and equity		**20,367**	20,296

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(millions of Canadian Dollars)	Note	Class A and Class B Shares	Equity Preferred Shares	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Total	Non-Controlling Interests	Total Equity
		Attributable to Equity Owners of the Company							
December 31, 2019		1,228	1,483	16	4,054	(47)	6,734	187	6,921
Earnings for the period		–	–	–	160	–	160	2	162
Other comprehensive income		–	–	–	–	128	128	–	128
Gains on retirement benefits transferred to retained earnings		–	–	–	197	(197)	–	–	–
Dividends	8,9	–	–	–	(136)	–	(136)	(2)	(138)
Share-based compensation		4	–	(2)	–	–	2	–	2
March 31, 2020		1,232	1,483	14	4,275	(116)	6,888	187	7,075
December 31, 2020		1,232	1,483	8	3,928	(30)	6,621	187	6,808
Earnings for the period		–	–	–	**141**	–	**141**	**2**	**143**
Other comprehensive income		–	–	–	–	**135**	**135**	–	**135**
Gains on retirement benefits transferred to retained earnings	10	–	–	–	**141**	**(141)**	–	–	–
Shares redeemed	9	**(10)**	–	–	**(48)**	–	**(58)**	–	**(58)**
Dividends	8,9	–	–	–	**(137)**	–	**(137)**	**(2)**	**(139)**
Share-based compensation		**1**	–	–	–	–	**1**	–	**1**
March 31, 2021		**1,223**	**1,483**	**8**	**4,025**	**(36)**	**6,703**	**187**	**6,890**

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Three Months Ended March 31	
(millions of Canadian Dollars)	**Note**	**2021**	**2020**
Operating activities			
Earnings for the period		**143**	162
Adjustments to reconcile earnings to cash flows from operating activities	11	**300**	304
Changes in non-cash working capital		**68**	23
Cash flows from operating activities		**511**	489
Investing activities			
Additions to property, plant and equipment		**(194)**	(234)
Proceeds on disposal of property, plant and equipment		**29**	–
Additions to intangibles		**(28)**	(18)
Investment in joint ventures		**(4)**	(5)
Changes in non-cash working capital		**22**	19
Other		**(1)**	–
Cash flows used in investing activities		**(176)**	(238)
Financing activities			
Issue of long-term debt	7	**–**	55
Repayment of long-term debt	7	**(1)**	(55)
Repayment of lease liabilities		**(3)**	(3)
Purchase of Class A shares		**(58)**	–
Dividends paid on equity preferred shares		**(17)**	(17)
Dividends paid to non-controlling interests		**(2)**	(2)
Dividends paid to Class A and Class B share owners		**(120)**	(119)
Interest paid		**(81)**	(79)
Other		**1**	–
Cash flows used in financing activities		**(281)**	(220)
Increase in cash position (1)		**54**	31
Foreign currency translation		**(2)**	(8)
Beginning of period		**778**	977
End of period	11	**830**	1,000

(1) Cash position includes $5 million which is not available for general use by the Company (2020 - $4 million).

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

MARCH 31, 2021

(Tabular amounts in millions of Canadian Dollars, except as otherwise noted)

1. THE COMPANY AND ITS OPERATIONS

Canadian Utilities Limited was incorporated under the laws of Canada and is listed on the Toronto Stock Exchange. Its head office is at 4th Floor, West Building, 5302 Forand Street SW, Calgary, Alberta T3E 8B4 and its registered office is 20th Floor, 10035 - 105 Street, Edmonton, Alberta T5J 2V6. The Company is controlled by ATCO Ltd. and its controlling share owner, the Southern family.

Canadian Utilities Limited is engaged in the following business activities:

- Utilities (electricity and natural gas transmission and distribution and international electricity operations);
- Energy infrastructure (electricity generation, energy storage, and industrial water solutions); and
- Retail Energy (electricity and natural gas retail sales) (included in the Corporate & Other segment).

The unaudited interim consolidated financial statements include the accounts of Canadian Utilities Limited and its subsidiaries (the Company). The statements also include the accounts of a proportionate share of the Company's investments in joint operations and its equity-accounted investments in joint ventures.

2. BASIS OF PRESENTATION

STATEMENT OF COMPLIANCE

The unaudited interim consolidated financial statements are prepared according to International Accounting Standard (IAS) 34 Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and IFRS Interpretations Committee (IFRIC). They do not include all the disclosures required in annual consolidated financial statements and should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2020, prepared according to IFRS.

The unaudited interim consolidated financial statements are prepared following the same accounting policies used in the Company's most recent annual consolidated financial statements, except for income taxes. In interim periods, income taxes are accrued using an estimate of the annualized effective tax rate applied to year-to-date earnings.

The unaudited interim consolidated financial statements were authorized for issue by the Audit & Risk Committee, on behalf of the Board of Directors, on April 28, 2021.

BASIS OF MEASUREMENT

The unaudited interim consolidated financial statements are prepared on a historic cost basis, except for derivative financial instruments, retirement benefit obligations and cash-settled share-based compensation liabilities which are carried at remeasured amounts or fair value.

Revenues, earnings and adjusted earnings for any quarter are not necessarily indicative of operations on an annual basis. Quarterly financial results may be affected by the seasonal nature of the Company's operations, the timing of utility rate decisions, the timing and demand of natural gas storage capacity sold and changes in natural gas storage fees.

Certain comparative figures have been reclassified to conform to the current presentation.

SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Use of judgments and estimates around the COVID-19 pandemic

For the three months ended March 31, 2021, the Company performed an assessment of the impacts of uncertainties around the COVID-19 pandemic on its consolidated financial position, financial performance and cash flows. The assessment required use of judgements and estimates and resulted in no material impacts.

3. SEGMENTED INFORMATION

SEGMENTED RESULTS

Results by operating segment for the three months ended March 31 are shown below.

2021 / 2020	Utilities							
	Electricity	**Natural Gas**	**Eliminations**	**Total**	**Energy Infrastructure**	**Corporate & Other**	**Intersegment eliminations**	**Consolidated**
Revenues - external	**337**	**450**	**–**	**787**	**34**	**86**	**–**	**907**
	317	469	–	786	34	65	–	885
Revenues - intersegment	**3**	**1**	**(1)**	**3**	**18**	**7**	**(28)**	**–**
	3	1	(1)	3	16	8	(27)	–
Revenues	**340**	**451**	**(1)**	**790**	**52**	**93**	**(28)**	**907**
	320	470	(1)	789	50	73	(27)	885
Operating expenses (1)	**(131)**	**(247)**	**1**	**(377)**	**(38)**	**(94)**	**28**	**(481)**
	(122)	(229)	1	(350)	(42)	(62)	25	(429)
Depreciation and amortization	**(79)**	**(68)**	**–**	**(147)**	**(4)**	**(3)**	**–**	**(154)**
	(77)	(62)	–	(139)	(4)	(3)	3	(143)
Earnings from investment in joint ventures	**7**	**–**	**–**	**7**	**6**	**–**	**–**	**13**
	–	–	–	–	6	–	–	6
Net finance costs	**(56)**	**(37)**	**–**	**(93)**	**(3)**	**(1)**	**–**	**(97)**
	(58)	(34)	–	(92)	(3)	2	(1)	(94)
Earnings (loss) before income taxes	**81**	**99**	**–**	**180**	**13**	**(5)**	**–**	**188**
	63	145	–	208	7	10	–	225
Income tax expense	**(18)**	**(23)**	**–**	**(41)**	**(4)**	**–**	**–**	**(45)**
	(15)	(36)	–	(51)	(9)	(3)	–	(63)
Earnings (loss) for the period	**63**	**76**	**–**	**139**	**9**	**(5)**	**–**	**143**
	48	109	–	157	(2)	7	–	162
Adjusted earnings (loss)	**90**	**111**	**–**	**201**	**10**	**(20)**	**–**	**191**
	78	111	–	189	5	(15)	–	179
Total assets (2)	**10,369**	**8,075**	**–**	**18,444**	**963**	**1,144**	**(184)**	**20,367**
	10,326	7,985	(1)	18,310	993	1,090	(97)	20,296
Capital expenditures (3)	**88**	**132**	**–**	**220**	**3**	**2**	**–**	**225**
	108	141	–	249	6	2	–	257

(1) Includes total costs and expenses, excluding depreciation and amortization expense.

(2) 2020 comparatives are at December 31, 2020.

(3) Includes additions to property, plant and equipment and intangibles and $3 millionof interest capitalized during construction for the three months ended March 31, 2021 (2020 - $5 million).

ADJUSTED EARNINGS

Adjusted earnings are earnings attributable to equity owners of the Company after adjusting for:

- the timing of revenues and expenses for rate-regulated activities;
- dividends on equity preferred shares of the Company;
- one-time gains and losses;
- unrealized gains and losses on mark-to-market forward and swap commodity contracts;
- 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 used by the Chief Operating Decision Maker (CODM) to assess segment performance and allocate resources. Other accounts in the unaudited interim consolidated financial statements have not been adjusted as they are not used by the CODM for those purposes.

The reconciliation of adjusted earnings and earnings for the three months ended March 31 is shown below.

2021 **2020**	**Utilities**	**Energy Infrastructure**	**Corporate & Other**	**Intersegment Eliminations**	**Consolidated**
Adjusted earnings (loss)	**201**	**10**	**(20)**	**–**	**191**
	189	5	(15)	–	179
Transition of managed IT services	**(10)**	**–**	**(1)**	**–**	**(11)**
	–	–	–	–	–
Unrealized gains on mark-to-market forward and swap commodity contracts	**–**	**–**	**1**	**–**	**1**
	–	–	6	–	6
Rate-regulated activities	**(52)**	**–**	**–**	**–**	**(52)**
	(31)	–	–	–	(31)
IT Common Matters decision	**(4)**	**–**	**–**	**–**	**(4)**
	(4)	–	–	–	(4)
Dividends on equity preferred shares of Canadian Utilities Limited	**2**	**–**	**15**	**–**	**17**
	1	–	16	–	17
Other	**–**	**(1)**	**–**	**–**	**(1)**
	–	(7)	–	–	(7)
Earnings (loss) attributable to equity owners of the Company	**137**	**9**	**(5)**	**–**	**141**
	155	(2)	7	–	160
Earnings attributable to non-controlling interests					**2**
					2
Earnings for the period					**143**
					162

Transition of managed IT services

In 2020, and during the three months ended March 31, 2021, the Company signed Master Services Agreements (MSA) with IBM Canada Ltd. and IBM Australia Limited (IBM), respectively, to provide managed information technology (IT) services. These services are currently provided by Wipro Ltd. (Wipro) 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 is expected to be completed by the third quarter of 2021.

In 2020, and during the three months ended March 31, 2021, the Company recognized onerous contract provisions of $71 million ($55 million after-tax) and $6 million ($4 million after-tax), respectively, which represents management's best estimate of the costs to exit the Wipro MSAs. The provisions are included in provisions and other current liabilities in the consolidated balance sheets. The provision of $6 million is included in other expenses in the consolidated statements of earnings for the three months ended March 31, 2021. The actual costs are expected to be finalized later in 2021. The onerous contract provision is not in the normal course of business and has been excluded from Adjusted Earnings.

In addition, for the three months ended March 31, 2021, the Company recognized transition costs of $8 million ($7 million after-tax). The transition costs relate to activities to transfer the managed IT services from Wipro to IBM. As these costs are not in the normal course of business, they have been excluded from Adjusted Earnings.

Unrealized gains and losses on mark-to-market forward and swap commodity contracts

The Company's retail electricity and natural gas business in Alberta enters into fixed-price swap commodity contracts to manage exposure to electricity and natural gas prices and volumes. These contracts are measured at fair value. Unrealized gains and losses due to changes in the fair value of the fixed-price swap commodity contracts are recognized in the earnings of the Corporate & Other segment.

The CODM believes that removal of the unrealized gains or losses on mark-to-market forward and swap commodity contracts provides a better representation of operating results for the Company's operations.

Realized gains or losses are recognized in adjusted earnings when the commodity contracts are settled.

Rate-regulated activities

ATCO Electric and its subsidiaries, ATCO Electric Yukon, Northland Utilities (NWT) and Northland Utilities (Yellowknife), as well as ATCO Gas, ATCO Pipelines and ATCO Gas Australia 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
1. 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.
2. Revenues to be billed in future periods	Deferred income taxes, impact of warmer temperatures, and impact of inflation on rate base.	The Company recognizes revenues associated with recoverable costs in advance of future billings to customers.	The Company recognizes costs when they are incurred, but does not recognize their recovery until customer rates are changed and amounts are collected through future billings.
3. 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.
4. Settlement of regulatory decisions and other items	Settlement of amounts receivable or payable to customers and other items.	The Company recognizes the amount receivable or payable to customers as a reduction in its regulatory assets and liabilities when collected or refunded through future billings.	The Company recognizes earnings when customer rates are changed and amounts are recovered or refunded to customers through future billings.

For the three months ended March 31, the significant timing adjustments as a result of the differences between rate-regulated accounting and IFRS are as follows:

	2021	2020
Additional revenues billed in current period		
Future removal and site restoration costs (1)	**29**	22
Impact of colder temperatures (2)	**–**	5
Revenues to be billed in future periods		
Deferred income taxes (3)	**(25)**	(34)
Distribution rate relief (4)	**(41)**	–
Impact of warmer temperatures (2)	**(2)**	–
Impact of inflation on rate base (5)	**(7)**	(5)
Settlement of regulatory decisions and other items (6)	**(6)**	(19)
	(52)	(31)

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

(2) *Natural Gas Distribution's customer rates are based on a forecast of normal temperatures. Fluctuations in temperatures may result in more or less revenue being recovered from customers than forecast. Revenues above or below 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 2021,Electricity Distribution and Natural Gas Distribution recorded a decrease in earnings of $41 million related to interim rate relief for customers as applied for by the Company and approved by the AUC to hold current distribution base rates in place. This will be recovered from customers in future periods.*

(5) *The inflation-indexed portion of ATCO Gas Australia's (part of Natural Gas Distribution) rate base is billed to customers through the recovery of depreciation in subsequent periods based on the actual or forecasted annual rate of inflation. Under rate-regulated accounting, revenue is recognized in the current period for the inflation component of rate base when it is earned. Differences between the amounts earned and the amounts billed to customers are deferred and recognized in revenues over the service life of the related assets.*

(6) *In the first quarter of 2020, Electricity Distribution recorded a decrease in earnings of $27 million related to the payment of transmission costs. This is being 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 the Company, financial impacts associated with the IT Common Matters decision are excluded from adjusted earnings. The amount excluded from adjusted earnings for the three months ended March 31, 2021 was $4 million (2020 - $4 million).

Other

The Company adjusts the deferred tax asset which was recognized as a result of the 2015 Tula Pipeline Project impairment. For the three months ended March 31, 2021, the Company recorded a foreign exchange loss of $1 million (2020 - a foreign exchange loss of $7 million), due to a difference between the tax base currency, which is the Mexican peso, and the U.S. dollar functional currency.

4. REVENUES

The Company disaggregates revenues based on the nature of revenue streams. The disaggregation of revenues by each operating segment for the three months ended March 31 is shown below:

2021	**Utilities**			**Energy Infrastructure**	**Corporate & Other**	**Consolidated**
2020	**Electricity (1)**	**Natural Gas (1)**	**Total**			
Revenue Streams						
Sale of Goods						
Electricity generation and delivery	**–**	**–**	**–**	**7**	**–**	**7**
	–	–	–	7	–	7
Commodity sales	**–**	**–**	**–**	**8**	**–**	**8**
	–	–	–	7	–	7
Total sale of goods	**–**	**–**	**–**	**15**	**–**	**15**
	–	–	–	14	–	14
Rendering of Services						
Distribution services	**130**	**291**	**421**	**–**	**–**	**421**
	119	307	426	–	–	426
Transmission services	**173**	**76**	**249**	**–**	**–**	**249**
	173	72	245	–	–	245
Customer contributions	**9**	**5**	**14**	**–**	**–**	**14**
	8	6	14	–	–	14
Franchise fees	**9**	**72**	**81**	**–**	**–**	**81**
	8	73	81	–	–	81
Retail electricity and natural gas services	**–**	**–**	**–**	**–**	**83**	**83**
	–	–	–	–	60	60
Storage and industrial water	**–**	**–**	**–**	**6**	**–**	**6**
	–	–	–	2	–	2
Total rendering of services	**321**	**444**	**765**	**6**	**83**	**854**
	308	458	766	2	60	828
Lease income						
Finance lease	**–**	**–**	**–**	**3**	**–**	**3**
	–	–	–	3	–	3
Other	**16**	**6**	**22**	**10**	**3**	**35**
	9	11	20	15	5	40
Total	**337**	**450**	**787**	**34**	**86**	**907**
	317	469	786	34	65	885

(1) For the three months ended March 31, 2021, Electricity and Natural Gas segments include $108 million of unbilled revenue (2020 - $105 million). At March 31, 2021, $108 million of the unbilled trade accounts receivables are included in trade accounts receivable and contract assets (December 31, 2020 - $132 million).

5. EARNINGS PER SHARE

Earnings per Class A non-voting (Class A) and Class B common (Class B) share are calculated by dividing the earnings attributable to Class A and Class B shares by the weighted average shares outstanding. Diluted earnings per share are calculated using the treasury stock method, which reflects the potential exercise of stock options and vesting of shares under the Company's mid-term incentive plan (MTIP) on the weighted average Class A and Class B shares outstanding.

The earnings and average number of shares used to calculate earnings per share for the three months ended March 31 are as follows:

	2021	2020
Average shares		
Weighted average shares outstanding	**272,012,721**	272,681,807
Effect of dilutive stock options	**385**	39,334
Effect of dilutive MTIP	**444,634**	567,801
Weighted average dilutive shares outstanding	**272,457,740**	273,288,942
Earnings for earnings per share calculation		
Earnings for the period	**143**	162
Dividends on equity preferred shares of the Company	**(17)**	(17)
Dividends to non-controlling interests	**(2)**	(2)
Earnings attributable to Class A and B shares	**124**	143
Earnings and diluted earnings per Class A and Class B share		
Earnings per Class A and Class B share	**$0.46**	$0.52
Diluted earnings per Class A and Class B share	**$0.46**	$0.52

6. PROPERTY, PLANT AND EQUIPMENT

A reconciliation of the changes in the carrying amount of property, plant and equipment is as follows:

	Utility Transmission & Distribution	Electricity Generation	Land and Buildings	Construction Work-in-Progress	Other	Total
Cost						
December 31, 2020	21,004	140	700	566	1,053	23,463
Additions	**6**	–	–	**193**	–	**199**
Transfers	**114**	–	**3**	**(122)**	**5**	–
Retirements and disposals	**(14)**	–	**(1)**	**(29)**	**(2)**	**(46)**
Changes to asset retirement costs	–	**(2)**	–	–	**(5)**	**(7)**
Foreign exchange rate adjustment	**(3)**	**(4)**	–	**(5)**	–	**(12)**
March 31, 2021	**21,107**	**134**	**702**	**603**	**1,051**	**23,597**
Accumulated depreciation						
December 31, 2020	5,119	18	164	79	520	5,900
Depreciation	**122**	**1**	**4**	–	**14**	**141**
Retirements and disposals	**(14)**	–	**(1)**	–	**(2)**	**(17)**
Foreign exchange rate adjustment	**(1)**	**(1)**	–	**(1)**	–	**(3)**
March 31, 2021	**5,226**	**18**	**167**	**78**	**532**	**6,021**
Net book value						
December 31, 2020	15,885	122	536	487	533	17,563
March 31, 2021	**15,881**	**116**	**535**	**525**	**519**	**17,576**

The additions to property, plant and equipment included $3 million of interest capitalized during construction for the three months ended March 31, 2021 (2020 - $5 million).

7. LONG-TERM DEBT

In the first quarter of 2020, ATCO Power Australia, the Company's subsidiary, refinanced its $63 million Australian dollars (equivalent of $55 million Canadian dollars) credit facility with a new lender at Bank Bill Swap Benchmark Rate (BBSY) plus margin fee, extending the credit facility's maturity from February 2020 to June 2025. The floating BBSY interest rate is hedged to June 23, 2025 with an interest rate swap agreement which fixes the interest rate at 1.68 per cent.

8. EQUITY PREFERRED SHARES

For three months ended March 31, cash dividends declared and paid per share are as follows:

(dollars per share)	**2021**	**2020**
Perpetual Cumulative Second Preferred Shares		
4.60% Series V	**0.2875**	0.2875
Cumulative Redeemable Second Preferred Shares		
3.403% Series Y	**0.2127**	0.2127
4.90% Series AA	**0.3062**	0.3062
4.90% Series BB	**0.3062**	0.3062
4.50% Series CC	**0.2812**	0.2812
4.50% Series DD	**0.2812**	0.2812
5.25% Series EE	**0.3281**	0.3281
4.50% Series FF	**0.2812**	0.2812

The payment of any dividend is at the discretion of the Board and depends on the financial condition of the Company and other factors.

9. CLASS A AND CLASS B SHARES

At March 31, 2021, there were 197,819,351 (December 31, 2020 - 199,410,836) Class A shares and 73,204,774 (December 31, 2020 - 73,449,889) Class B shares outstanding. In addition, there were 1,233,150 options to purchase Class A shares outstanding at March 31, 2021, under the Company's stock option plan.

DIVIDENDS

The Company declared and paid cash dividends of $0.4398 per Class A and Class B share during the three months ended March 31, 2021 (2020 - $0.4354). The Company’s policy is to pay dividends quarterly on its Class A and Class B shares. The payment of any dividend is at the discretion of the Board and depends on the financial condition of the Company and other factors.

On April 14, 2021, the Company declared a second quarter dividend of $0.4398 per Class A and Class B share.

NORMAL COURSE ISSUER BID

On July 22, 2020, the Company began a normal course issuer bid to purchase up to 3,996,004 outstanding Class A shares. The bid expires on July 21, 2021.

During the three months ended March 31, 1,845,600 Class A shares were purchased for $58 million, resulting in a decrease to share capital of $10 million and a decrease to retained earnings of $48 million.

10. RETIREMENT BENEFITS

At March 31, 2021, the discount rate assumption which is used to measure the accrued benefit obligations increased to 3.34 per cent from 2.58 per cent at December 31, 2020. The discount rate assumption was based on market interest rates of high quality bonds that match the timing and amount of expected benefit payments.

Due to the re-measurement of the accrued benefit obligations and related plan assets, the funded status (market value of assets less accrued benefit obligations) increased from a net deficit of $411 million at December 31, 2020 to a net deficit of $229 million at March 31, 2021. The deficit of $229 million is net of a retirement benefit asset of $35 million related to Retirement Plan for Employees of Canadian Utilities Limited and Participating Companies (CU Plan).

At March 31, 2021, the Company has recognized a retirement benefit asset of $35 million and retirement benefit obligations of $264 million.

11. CASH FLOW INFORMATION

ADJUSTMENTS TO RECONCILE EARNINGS TO CASH FLOWS FROM OPERATING ACTIVITIES

Adjustments to reconcile earnings to cash flows from operating activities for three months ended March 31 are summarized below.

	2021	2020
Depreciation and amortization	**154**	143
Earnings from investment in joint ventures, net of dividends and distributions received	**(8)**	(2)
Income tax expense	**45**	63
Unrealized losses (gains) on derivative financial instruments	**1**	(7)
Contributions by customers for extensions to plant	**56**	26
Amortization of customer contributions	**(14)**	(14)
Net finance costs	**97**	94
Income taxes paid	**(32)**	(8)
Other	**1**	9
	300	304

CASH POSITION

Cash position in the unaudited interim consolidated statements of cash flows at March 31 is comprised of:

	2021	2020
Cash	**821**	992
Short-term investments	**5**	4
Restricted cash [(1)]	**5**	4
Cash and cash equivalents	**831**	1,000
Bank indebtedness	**(1)**	–
	830	1,000

(1) Cash balances which are restricted under the terms of joint arrangement agreements are considered not available for general use by the Company.

12. FINANCIAL INSTRUMENTS

FAIR VALUE MEASUREMENT

Financial instruments are measured at amortized cost or fair value. Fair value represents the estimated amounts at which financial instruments could be exchanged between knowledgeable and willing parties in an arm's length transaction. Determining fair value requires management judgment. The valuation methods used to determine the fair value of each financial instrument and its associated level in the fair value hierarchy is described below.

Financial Instruments	Fair Value Method
Measured at Amortized Cost	
Cash and cash equivalents, accounts receivable and contract assets, bank indebtedness, and accounts payable and accrued liabilities	Assumed to approximate carrying value due to their short-term nature.
Finance lease receivables	Determined using a risk-adjusted interest rate to discount future cash receipts (Level 2).
Long-term debt	Determined using quoted market prices for the same or similar issues. Where the market prices are not available, fair values are estimated using discounted cash flow analysis based on the Company's current borrowing rate for similar borrowing arrangements (Level 2).
Measured at Fair Value	
Interest rate swaps	Determined using interest rate yield curves at period-end (Level 2).
Foreign currency contracts	Determined using quoted forward exchange rates at period-end (Level 2).
Commodity contracts	Determined using observable period-end forward curves and quoted spot market prices with inputs validated by publicly available market providers (Level 2).
	Determined using statistical techniques to derive period-end forward curves using unobservable inputs or extrapolation from spot prices in certain commodity contracts (Level 3).

FINANCIAL INSTRUMENTS MEASURED AT AMORTIZED COST

The fair values of the Company's financial instruments measured at amortized cost are as follows:

	March 31, 2021		December 31, 2020	
Recurring Measurements	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Finance lease receivables	**170**	**240**	173	251
Financial Liabilities				
Long-term debt	**9,052**	**10,259**	9,053	11,396

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The Company's derivative instruments are measured at fair value. At March 31, 2021, the following derivative instruments were outstanding:

- interest rate swaps for the purpose of limiting interest rate risk on the variable future cash flows of long-term debt; and
- natural gas and forward power sale and purchase contracts for the purpose of limiting exposure to electricity and natural gas market price movements.

The balance sheet classification and fair values of the Company's derivative financial instruments are as follows:

	Subject to Hedge Accounting		Not Subject to Hedge Accounting	
Recurring Measurements	**Interest Rate Swaps**	**Commodities**	**Commodities**	**Total Fair Value of Derivatives**
March 31, 2021				
Financial Assets				
Prepaid expenses and other current assets	–	**31**	**4**	**35**
Other assets (1)	–	**13**	**4**	**17**
Financial Liabilities				
Provisions and other current liabilities	**1**	**7**	**8**	**16**
Other liabilities (1)	**11**	**6**	**2**	**19**
December 31, 2020				
Financial Assets				
Prepaid expenses and other current assets	–	25	5	30
Other assets (1)	–	12	4	16
Financial Liabilities				
Provisions and other current liabilities	1	6	8	15
Other liabilities (1)	20	4	3	27

(1) At March 31, 2021, financial liabilities and financial assets include $9 million and $6 million, respectively, of Level 3 derivative financial instruments (December 31, 2020 - financial liabilities and financial assets include $9 million and $8 million, respectively, of Level 3 derivative financial instruments).

Notional and maturity summary

The notional value and maturity dates of the Company's derivative instruments outstanding are as follows:

	Subject to Hedge Accounting			Not Subject to Hedge Accounting		
Notional value and maturity	**Interest Rate Swaps**	**Natural Gas (1)**	**Power (2)**	**Natural Gas (1)**	**Power (2)**	**Foreign Currency Forward Contracts**
March 31, 2021						
Purchases (3)	–	**8,057,600**	**2,775,895**	–	–	–
Sales (3)	–	**2,516,917**	**664,699**	**6,488,359**	**976,622**	–
Currency						
Australian dollars	**738**	–	–	–	–	–
Mexican pesos	**570**	–	–	–	–	**100**
Maturity	**2024-2025**	**2021-2025**	**2021-2025**	**2021-2024**	**2021-2024**	**2021**
December 31, 2020						
Purchases (3)	–	10,593,800	2,203,836	–	–	–
Sales (3)	–	3,238,242	759,246	7,867,560	1,089,495	–
Currency						
Australian dollars	738	–	–	–	–	–
Mexican pesos	570	–	–	–	–	100
Maturity	2023-2025	2021-2025	2021-2025	2021-2024	2021-2024	2021

(1) Notional amounts for the natural gas purchase contracts are the maximum volumes that can be purchased over the terms of the contracts.

(2) Notional amounts for the forward power sale and purchase contracts are the commodity volumes committed in the contracts.

(3) Volumes for natural gas and power derivatives are in GJ and MWh, respectively.