CU INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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 CU Inc. (our, we, us, or the Company) during the nine months ended September 30, 2021.

This MD&A was prepared as of October 27, 2021, and should be read with the Company's unaudited interim consolidated financial statements for the nine months ended September 30, 2021. Additional information, including the Company's previous MD&As, 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 Canadian Utilities Limited (Canadian Utilities or CU), which in turn is controlled by ATCO Ltd. (ATCO) and its controlling share owner, Sentgraf Enterprises Ltd. and its controlling share owner, the Southern family.

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

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UTILITIES PERFORMANCE

REVENUES

Revenues of $623 million in the third quarter of 2021 were $22 million higher than the same period in 2020 mainly due to higher flow-through revenues in the Electricity Distribution and Natural Gas Distribution businesses.

Revenues of $1,997 million in the first nine months of 2021 were comparable to the same period in 2020.

Revenue growth for Electricity and Natural Gas Distribution in the third quarter and first nine months of 2021 has been deferred to be recognized and 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 the economic situation in Alberta.

ADJUSTED EARNINGS

	Three Months Ended September 30			Nine Months Ended September 30		
($ millions)	**2021**	**2020**	**Change**	**2021**	**2020**	**Change**
Electricity						
Electricity Distribution	**35**	27	8	**114**	94	20
Electricity Transmission	**38**	43	(5)	**117**	132	(15)
Total Electricity	**73**	70	3	**231**	226	5
Natural Gas						
Natural Gas Distribution	**(18)**	(17)	(1)	**70**	67	3
Natural Gas Transmission	**21**	21	—	**61**	67	(6)
Total Natural Gas	**3**	4	(1)	**131**	134	(3)
Corporate & Other and Intersegment Eliminations	**(1)**	(1)	—	**(3)**	(5)	2
Total Utilities Adjusted Earnings (1)	**75**	73	2	**359**	355	4

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

Utilities adjusted earnings of $75 million and $359 million in the third quarter and first nine months of 2021 were $2 million and $4 million higher than the same periods in 2020 mainly due to cost efficiencies.

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 $35 million and $114 million in the third quarter and first nine months of 2021 were $8 million and $20 million higher compared to the same periods in 2020. Higher earnings were mainly due to cost efficiencies.

Electricity Transmission

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

Electricity Transmission adjusted earnings of $38 million in the third quarter of 2021 were $5 million lower than the same period in 2020. Lower earnings were mainly due to the 2020-2022 General Tariff Application (GTA) Compliance Filing decision received in the third quarter of 2021, which included a $4 million reduction of earnings related to prior periods.

Electricity Transmission adjusted earnings of $117 million in the first nine months of 2021 were $15 million lower than the same period in 2020. Lower earnings were mainly due to the impact of the Electricity Transmission 2018-2019 GTA Compliance Filing decision received in the second quarter of 2021, and the 2020-2022 GTA

Compliance Filing decision received in the third quarter of 2021. Combined, these decisions included a $12 million reduction of earnings related to prior periods.

Natural Gas Distribution

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

Natural Gas Distribution adjusted earnings in the third quarter of 2021 were $1 million lower than the same period in 2020. Lower earnings were mainly due to the timing of operating costs.

Natural Gas Distribution adjusted earnings of $70 million in the first nine months of 2021 were $3 million higher than the same period in 2020. Higher earnings were mainly due to the timing of operating costs.

Natural Gas Transmission

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

Natural Gas Transmission adjusted earnings of $21 million in the third quarter of 2021 were comparable to the same period in 2020.

Natural Gas Transmission adjusted earnings of $61 million in the first nine months of 2021 were $6 million lower than the same period in 2020. Lower adjusted earnings were mainly due to the impact of the 2021-2023 General Rate Application which included operating cost efficiencies implemented in prior periods that are being passed on to customers.

CORPORATE & OTHER AND INTERSEGMENT ELIMINATIONS

Including intersegment eliminations, Corporate & Other adjusted earnings in the third quarter of 2021 were comparable to the same period in 2020.

Including intersegment eliminations, Corporate & Other adjusted earnings in the first nine months of 2021 were $2 million higher than the same period in 2020 mainly due to the timing of certain expenses.

RECENT DEVELOPMENTS

Old Crow Solar Development Project

In August 2021, the Vuntut Gwitchin First Nation and CU Inc.'s parent company, Canadian Utilities, announced the completion of Canada's most northerly off-grid solar project, reducing diesel use by 189,000 litres annually in Old Crow, Yukon and providing a clean energy source for decades to come.

This project showcases a first-of-its-kind Electricity Purchase Agreement. Vuntut Gwitchin will serve as the Independent Power Producer, owner and operator of the solar facility and ATCO Electric Yukon will purchase the solar electricity generated for the next 25 years and feed it into the grid for redistribution to the community.

This facility, similar to the Fort Chipewyan Solar Farm in Northern Alberta, fosters community ownership and self-sustaining economic development through job creation, investment in infrastructure, and revenue from the sale of renewable energy.

Energy projects like this are models of effective collaboration to enable and accelerate the clean energy transition, and the Company intends to replicate its success.

Old Crow Solar Project - Old Crow, Yukon

REGULATORY DEVELOPMENTS

ELECTRICITY TRANSMISSION

2020-2022 General Tariff Application

Electricity Transmission filed its 2020-2022 GTA Compliance filing on April 19, 2021 in relation to its March 2020-2022 GTA Application decision. On September 1, 2021, the AUC issued a decision which determined Electricity Transmission's final revenue requirement for 2020 and 2021. The impact to third quarter adjusted earnings as a result of this decision included a decrease of $4 million, all of which relates to prior periods.

SUSTAINABILITY, CLIMATE CHANGE AND ENERGY TRANSITION

We balance the short and long-term economic, environmental and social considerations of our businesses while creating value for our customers, employees, share owners, and Indigenous and community partners. As a provider of essential services in diverse communities, we operate in an inclusive manner to meet the needs of society today and for generations to come.

Sustainability Reporting

We completed a refresh of the material topics for ATCO's Sustainability Report, incorporating feedback from internal and external groups. ATCO's 2020 Sustainability Report, published in May 2021, focused on the following material topics:

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

Corporate Governance was recognized as an area that requires a standalone section in the Sustainability Report focusing on governance considerations and the oversight of these material sustainability topics.

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

The 2020 Sustainability Report, Sustainability Framework Reference Document, additional governance details, our materiality assessment, and other disclosures are available on our website at www.canadianutilities.com.

To contribute to a low carbon future, we continue to pursue initiatives to integrate cleaner fuels and renewable energy. We intend to expand our ownership and development of clean energy solutions, as well as enable our customers to transition to lower emitting sources of energy.

In August 2021, the Vuntut Gwitchin First Nation and CU Inc.'s parent company, Canadian Utilities, completed Canada's most northerly off-grid solar project, reducing diesel use by 189,000 litres annually in Old Crow, Yukon and providing the community with clean energy for decades to come.

OTHER EXPENSES AND INCOME

A financial summary of other consolidated expenses and income items for the third quarter and first nine months 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 September 30			Nine Months Ended September 30	
($ millions)	**2021**	**2020**	**Change**	**2021**	**2020**	**Change**
Operating costs	**320**	279	41	**993**	925	68
Depreciation and amortization	**132**	130	2	**399**	385	14
Net finance costs	**91**	91	—	**272**	274	(2)
Income tax expense	**19**	24	(5)	**78**	98	(20)

OPERATING COSTS

Operating costs, which are total costs and expenses less depreciation and amortization, increased by $41 million in the third quarter of 2021 when compared to the same period in 2020. Higher operating costs were mainly due to the recognition of transition costs related to the early termination of the Master Services Agreements (MSA) with Wipro Ltd. (Wipro) for managed information technology (IT) services, and higher flow-through expense in Natural Gas Distribution for third party franchise and transmission fees.

Operating costs increased by $68 million in the first nine months of 2021 when compared to the same period in 2020. Higher operating costs were mainly due to higher flow-through natural gas transmission costs, and the recognition of transition costs related to the early termination of the MSAs with Wipro for managed IT services.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization increased by $2 million and $14 million in the third quarter and first nine months of 2021 when compared to the same periods in 2020 mainly due to ongoing capital investment.

NET FINANCE COSTS

Net finance costs in the third quarter of 2021 were comparable to the same period in 2020.

Net finance costs decreased by $2 million in the first nine months of 2021 when compared to the same period in 2020 mainly due to lower interest expenses resulting from the refinancing of debentures at lower rates.

INCOME TAX

Income taxes were lower by $5 million and $20 million in the third quarter and first nine months of 2021 compared to the same periods in 2020 mainly due to lower IFRS earnings before income taxes.

LIQUIDITY AND CAPITAL RESOURCES

Our business strategies, funding of operations, and planned future growth are supported by maintaining strong investment grade credit ratings and access to capital markets at competitive rates. Primary sources of capital are cash flow from operations, debt and capital markets, and injections of equity from Canadian Utilities Limited. Liquidity is generated by cash flow from operations and is supported by appropriate levels of cash and available committed credit facilities.

CREDIT RATINGS

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

On July 30, 2021, S&P Global Ratings affirmed CU Inc.'s 'A-' long-term issuer credit rating and stable outlook.

On July 22, 2021, DBRS Limited affirmed its ‘A (high)’ long-term corporate credit rating and stable outlook on CU Inc.

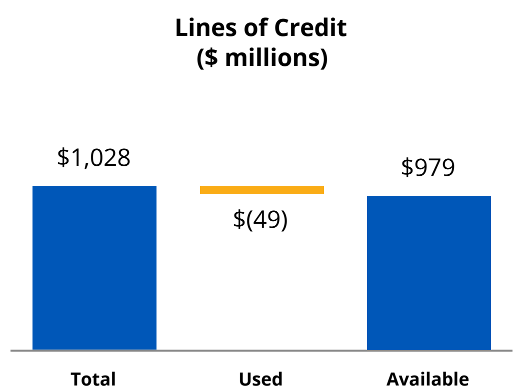
LINES OF CREDIT

At September 30, 2021, CU Inc. and its subsidiaries had the following lines of credit.

($ millions)	**Total**	**Used**	**Available**
Long-term committed	**900**	—	900
Uncommitted	**128**	49	79
Total	**1,028**	49	979

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

The other $900 million in credit lines was committed, with maturities between 2022 and 2023, and may be extended at the option of the lenders. The majority of the credit lines are provided by Canadian banks.



CONSOLIDATED CASH FLOW

At September 30, 2021, the Company's cash position was $28 million, an increase of $50 million compared to December 31, 2020. Funds generated by operations and funds from the issue of long-term debt in September were partially offset by cash used to fund the capital investment program, dividends paid, preferred share redemptions, and financing costs.

Funds generated by operations of $310 million and $1,058 million in the third quarter and first nine months of 2021 were comparable to the same periods in 2020.

Funds generated by operations in 2021 are adversely impacted as a result of CU Inc.'s decision to provide rate relief to customers through the deferral of rate increases for Electricity Distribution and Natural Gas Distribution which will be collected from customers starting in 2022.

Cash Used for Capital Expenditures

Cash used for capital expenditures was $191 million in the third quarter of 2021, $3 million higher compared to the same period in 2020 mainly due to ongoing capital investment.

Cash used for capital expenditures was $783 million in the first nine months of 2021, $192 million higher compared to the same period in 2020, mainly due to the acquisition of the Pioneer Pipeline in the Natural Gas Transmission business.

Capital expenditures for the third quarter and first nine months of 2021 and 2020 is shown in the table below.

	Three Months Ended September 30			Nine Months Ended September 30		
($ millions)	**2021**	**2020**	**Change**	**2021**	**2020**	**Change**
Electricity Distribution	**51**	49	2	**162**	165	(3)
Electricity Transmission	**33**	35	(2)	**95**	106	(11)
Natural Gas Distribution	**75**	64	11	**203**	166	37
Natural Gas Transmission	**32**	40	(8)	**323**	154	169
Total (1) (2)	**191**	188	3	**783**	591	192

(1) Includes additions to property, plant and equipment, intangibles, and $2 million and $8 million (2020 - $3 million and $10 million) of interest capitalized during construction for the third quarter and first nine months of 2021.

(2) Includes $20 million and $117 million (2020 - ($1) million and $45 million) of capital expenditures that were funded with the assistance of customer contributions.

Base Shelf Prospectus - CU Inc. Debentures and Preferred Shares

On September 16, 2020, CU Inc. filed a base shelf prospectus that permits it to issue up to an aggregate of $1.2 billion of debentures over the 25-month life of the prospectus. As of September 30, 2021, aggregate issuances of debentures were $610 million.

Effective June 1, 2021, the annual dividend rate on CU Inc.'s Cumulative Redeemable Preferred Shares Series 4 was reset from 2.24 per cent to 2.29 per cent for a five-year period.

Redemption of Equity Preferred Shares to Parent Company

On August 27, 2021 the Company redeemed all of the issued 4.60 per cent Series V Preferred Shares for $79 million plus accrued dividends.

SHARE CAPITAL

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

At October 26, 2021, the Company had outstanding 3,570,322 Class A shares and 2,188,262 Class B shares.

QUARTERLY INFORMATION

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

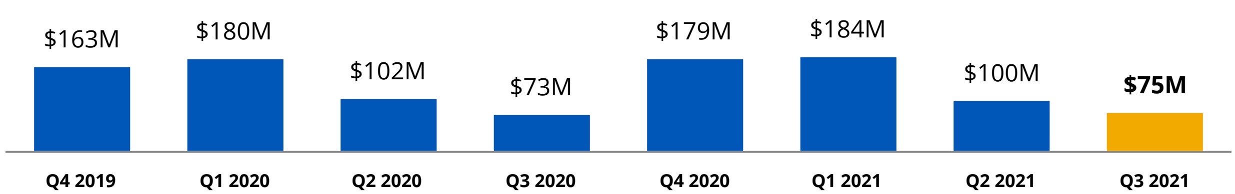
($ millions)	**Q4 2020**	**Q1 2021**	**Q2 2021**	**Q3 2021**
Revenues	739	743	631	**623**
Earnings for the period	95	133	61	**61**
Adjusted earnings (loss) (1)				
Electricity	79	85	73	**73**
Natural Gas	101	100	28	**3**
Corporate & Other and Intersegment Eliminations	(1)	(1)	(1)	**(1)**
Total adjusted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

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

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

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

ADJUSTED EARNINGS



Adjusted earnings in the second and third quarters of each year are 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 and rate base growth. In the second quarter of 2021, adjusted earnings were lower compared to the same period in 2020 mainly due to the impact of the Electricity Transmission 2018-2019 GTA Compliance Filing decision received in the second quarter of 2021, partially offset by cost efficiencies. Adjusted earnings in the third quarter of 2021 were higher than the same period in 2020 mainly due to cost efficiencies, and continued growth in the regulated rate base.

EARNINGS FOR THE PERIOD

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

- In the fourth quarter of 2020, the Company's parent, Canadian Utilities Limited, signed an MSA with IBM Canada Ltd. (IBM) to provide managed IT services. These services were previously provided by Wipro under a ten-year MSA expiring in December 2024. The Company recognized costs of $52 million (after-tax) in the fourth quarter of 2020 which represents managements' best estimate of the costs to exit the Wipro MSA. The actual costs will be finalized in 2022.

- The transition of the managed IT services from Wipro to IBM commenced on February 1, 2021 and is now substantially complete. In the first three quarters of 2021, the Company recognized transition costs of $6 million, $14 million and $6 million (after-tax), respectively.

NON-GAAP AND ADDITIONAL GAAP MEASURES

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

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

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

RECONCILIATION OF ADJUSTED EARNINGS TO EARNINGS FOR THE PERIOD

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

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

($ millions) — **Three Months Ended September 30**

2021 2020	Electricity	Natural Gas	Corporate & Other	Intersegment Eliminations	Consolidated
Revenues	**341**	**283**	**—**	**(1)**	**623**
	335	267	—	(1)	601
Adjusted earnings (loss)	**73**	**3**	**(1)**	**—**	**75**
	70	4	(1)	—	73
Rate-regulated activities	**(5)**	**(3)**	**—**	**—**	**(8)**
	—	4	—	—	4
IT Common Matters decision	**(2)**	**(1)**	**—**	**—**	**(3)**
	(2)	(1)	—	—	(3)
Transition of managed IT services	**(3)**	**(3)**	**—**	**—**	**(6)**
	—	—	—	—	—
Dividends on equity preferred shares of the Company	**1**	**2**	**—**	**—**	**3**
	1	2	—	—	3
Earnings (loss) for the period	**64**	**(2)**	**(1)**	**—**	**61**
	69	9	(1)	—	77

($ millions) 2021 / 2020	Electricity	Natural Gas	Corporate & Other	Intersegment Eliminations	Consolidated
					Nine Months Ended September 30
Revenues	**1,002**	**998**	**—**	**(3)**	**1,997**
	995	999	—	(3)	1,991
Adjusted earnings (loss)	**231**	**131**	**(3)**	**—**	**359**
	226	134	(5)	—	355
Rate-regulated activities	**(39)**	**(38)**	**1**	**—**	**(76)**
	(38)	2	—	—	(36)
IT Common Matters decision	**(6)**	**(4)**	**—**	**—**	**(10)**
	(6)	(4)	—	—	(10)
Transition of managed IT services	**(12)**	**(14)**	**—**	**—**	**(26)**
	—	—	—	—	—
Dividends on equity preferred shares of the Company	**4**	**4**	**—**	**—**	**8**
	4	4	—	—	8
Other	**—**	**—**	**—**	**—**	**—**
	(3)	(5)	—	—	(8)
Earnings (loss) for the period	**178**	**79**	**(2)**	**—**	**255**
	183	131	(5)	—	309

RATE-REGULATED ACTIVITIES

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

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

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

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

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

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

	Three Months Ended September 30			Nine Months Ended September 30		
($ millions)	**2021**	**2020**	**Change**	**2021**	**2020**	**Change**
Additional revenues billed in current period						
Future removal and site restoration costs (1)	**26**	20	6	**85**	59	26
Impact of colder temperatures (2)	**—**	—	—	**—**	7	(7)
Revenues to be billed in future periods						
Deferred income taxes (3)	**(17)**	(15)	(2)	**(71)**	(71)	—
Distribution rate relief (4)	**(20)**	—	(20)	**(95)**	—	(95)
Impact of warmer temperatures (2)	**(4)**	(2)	(2)	**(5)**	—	(5)
Settlement of regulatory decisions and other items (5)	**7**	1	6	**10**	(31)	41
	(8)	4	(12)	**(76)**	(36)	(40)

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

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

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

(4) During the three and nine months ended September 30, 2021, Electricity Distribution and Natural Gas Distribution recorded a decrease in earnings of $20 million and $95 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. These amounts will be recovered from customers in 2022 and 2023.

(5) In the first nine months of 2020, Electricity Distribution recorded a decrease in earnings of $20 million related to the payment of transmission costs. Substantially all of these costs were recovered from customers in the fourth quarter of 2020.

IT COMMON MATTERS DECISION

Consistent with the treatment of the gain on sale in 2014 from the IT services business by CU Inc.'s parent, Canadian Utilities Limited, financial impacts associated with the IT Common Matters decision are excluded from adjusted earnings. The amount excluded from adjusted earnings in the three and nine months ended September 30, 2021 was $3 million and $10 million (after-tax) (2020 - $3 million and $10 million).

TRANSITION OF MANAGED IT SERVICES

In 2020, the Company's parent, Canadian Utilities Limited, signed an MSA with IBM Canada Ltd. to provide managed IT services. These services were previously 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 now substantially complete.

In the third quarter and first nine months of 2021, the Company recognized termination and transition costs of $6 million and $26 million (after-tax).

OTHER

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

OTHER FINANCIAL INFORMATION

INTERNAL CONTROL OVER FINANCIAL REPORTING

There was no change in the Company's internal control over financial reporting that occurred during the period beginning on July 1, 2021, and ended on September 30, 2021, that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

In April 2021, the IFRS Interpretations Committee published a final agenda decision with respect to recognition of certain configuration and customization expenditures related to cloud computing with retrospective application. Costs that do not meet the capitalization criteria should be expensed as incurred.

The Company is currently reviewing the application of the decision to determine the impact, if any, it will have on the consolidated financial statements. Any changes resulting from the decision are required to be implemented by December 31, 2021.

FORWARD-LOOKING INFORMATION

Certain statements contained in this MD&A constitute forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as "anticipate", "plan", "estimate", "expect", "may", "will", "intend", "should", and similar expressions. Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. The Company believes that the expectations reflected in the forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking information should not be unduly relied upon.

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

Any forward-looking information contained in this MD&A represents the Company's expectations as of the date hereof, and is subject to change after such date. The Company disclaims any intention or obligation to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required by applicable securities legislation.

ADDITIONAL INFORMATION

CU Inc. has published its unaudited interim consolidated financial statements and MD&A for the nine months ended September 30, 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

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

AUC means the Alberta Utilities Commission.

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

Class B shares means Class B common shares of the Company.

CODM means Chief Operating Decision Maker, and is comprised of the Chair & Chief Executive Officer, and the other members of the Executive Committee.

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

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

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

GAAP means Canadian generally accepted accounting principles.

GHG means greenhouse gas.

IFRS means International Financial Reporting Standards.