CU INC.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022

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CONSOLIDATED STATEMENTS OF EARNINGS

		Three Months Ended September 30		Nine Months Ended September 30	
(millions of Canadian Dollars)	**Note**	**2022**	**2021**	**2022**	**2021**
Revenues	4	**659**	623	**2,314**	1,997
Costs and expenses					
Salaries, wages and benefits		**(49)**	(52)	**(150)**	(152)
Energy transmission and transportation		**(68)**	(68)	**(201)**	(198)
Plant and equipment maintenance		**(52)**	(47)	**(121)**	(117)
Fuel costs		**(3)**	(3)	**(10)**	(8)
Purchased power		**(10)**	(20)	**(52)**	(68)
Depreciation and amortization		**(135)**	(132)	**(409)**	(399)
Franchise fees		**(55)**	(48)	**(244)**	(187)
Property and other taxes		**(17)**	(17)	**(51)**	(51)
Other		**(61)**	(65)	**(191)**	(212)
		(450)	(452)	**(1,429)**	(1,392)
Operating profit		**209**	171	**885**	605
Interest income		**1**	–	**3**	1
Interest expense		**(89)**	(91)	**(271)**	(273)
Net finance costs		**(88)**	(91)	**(268)**	(272)
Earnings before income taxes		**121**	80	**617**	333
Income tax expense		**(28)**	(19)	**(149)**	(78)
Earnings for the period		**93**	61	**468**	255

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(millions of Canadian Dollars)	Three Months Ended September 30 2022	Three Months Ended September 30 2021	Nine Months Ended September 30 2022	Nine Months Ended September 30 2021
Earnings for the period	**93**	61	**468**	255
Other comprehensive (loss) income, net of income taxes				
Items that will not be reclassified to earnings:				
Re-measurement of retirement benefits (1)	**(3)**	8	**33**	17
Comprehensive income for the period	**90**	69	**501**	272

(1) Net of income taxes of $1 million and $(10) million for the three and nine months ended September 30, 2022 (2021 - $(3) million and $(6) million).

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

(millions of Canadian Dollars)	Note	September 30 2022	December 31 2021
ASSETS			
Current assets			
Cash		**148**	56
Short-term advances to parent company		**22**	65
Accounts receivable and contract assets		**305**	463
Trade accounts receivable from parent and affiliate companies		**3**	12
Inventories		**18**	13
Prepaid expenses and other current assets		**31**	79
		527	688
Non-current assets			
Property, plant and equipment	5	**16,363**	16,217
Intangibles		**732**	674
Right-of-use assets		**14**	11
Investment in joint venture	3	**17**	–
Other assets		**54**	22
Total assets		**17,707**	17,612
LIABILITIES			
Current liabilities			
Bank indebtedness		**–**	4
Short-term advances from parent company		**–**	65
Accounts payable and accrued liabilities		**387**	450
Accounts payable to parent and affiliate companies		**29**	39
Lease liabilities		**1**	1
Provisions and other current liabilities		**73**	70
Short-term debt	6	**19**	206
Long-term debt	7	**100**	125
		609	960
Non-current liabilities			
Deferred income tax liabilities		**1,623**	1,484
Retirement benefit obligations		**114**	155
Customer contributions		**1,910**	1,822
Lease liabilities		**13**	10
Other liabilities		**10**	11
Long-term debt	7	**8,384**	8,276
Total liabilities		**12,663**	12,718
EQUITY			
Equity preferred shares		**187**	187
Class A and Class B share owner's equity			
Class A and Class B shares		**1,056**	1,056
Retained earnings		**3,801**	3,651
		4,857	4,707
Total equity		**5,044**	4,894
Total liabilities and equity		**17,707**	17,612

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**	**Retained Earnings**	**Accumulated Other Comprehensive Income**	**Total Equity**
December 31, 2020		1,056	266	3,627	–	4,949
Earnings for the period		–	–	255	–	255
Other comprehensive income		–	–	–	17	17
Gains on retirement benefits transferred to retained earnings		–	–	17	(17)	–
Redemption of equity preferred shares to parent company	8	–	(79)	–	–	(79)
Dividends	8, 9	–	–	(270)	–	(270)
September 30, 2021		1,056	187	3,629	–	4,872
December 31, 2021		1,056	187	3,651	–	4,894
Earnings for the period		–	–	**468**	–	**468**
Other comprehensive income		–	–	–	**33**	**33**
Gains on retirement benefits transferred to retained earnings		–	–	**33**	**(33)**	–
Dividends	8, 9	–	–	**(351)**	–	**(351)**
September 30, 2022		**1,056**	**187**	**3,801**	–	**5,044**

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Three Months Ended September 30		Nine Months Ended September 30	
(millions of Canadian Dollars)	**Note**	**2022**	**2021**	**2022**	**2021**
Operating activities					
Earnings for the period		**93**	61	**468**	255
Adjustments to reconcile earnings to cash flows from operating activities	10	**284**	249	**918**	803
Changes in non-cash working capital		**(19)**	(51)	**35**	(12)
Cash flows from operating activities		**358**	259	**1,421**	1,046
Investing activities					
Additions to property, plant and equipment		**(230)**	(157)	**(583)**	(685)
Additions to intangibles		**(31)**	(32)	**(91)**	(90)
Proceeds on sale of ownership interest in a subsidiary company, net of cash disposed	3	**–**	–	**8**	–
Changes in non-cash working capital		**24**	4	**30**	(6)
Other	5	**1**	1	**59**	(62)
Cash flows used in investing activities		**(236)**	(184)	**(577)**	(843)
Financing activities					
Net repayment of short-term debt	6	**(216)**	–	**(187)**	–
Issue of long-term debt	7	**210**	460	**210**	460
Repayment of long-term debt	7	**–**	–	**(125)**	–
Redemption of equity preferred shares to parent company	8	**–**	(79)	**–**	(79)
Repayment of lease liabilities		**–**	(1)	**(1)**	(2)
Dividends paid on equity preferred shares	8	**(1)**	(3)	**(5)**	(8)
Dividends paid to Class A and Class B share owner	9	**(111)**	(87)	**(346)**	(262)
Interest paid		**(85)**	(78)	**(270)**	(259)
Other		**(2)**	(2)	**(2)**	(3)
Cash flows (used in) from financing activities		**(205)**	210	**(726)**	(153)
(Decrease) increase in cash position		**(83)**	285	**118**	50
Beginning of period		**253**	(257)	**52**	(22)
End of period	10	**170**	28	**170**	28

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

SEPTEMBER 30, 2022

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

1. THE COMPANY AND ITS OPERATIONS

CU Inc. was incorporated under the laws of Canada and its debt and equity preferred shares are listed on the Toronto Stock Exchange. Its head office and registered office is at 4th Floor, West Building, 5302 Forand Street SW, Calgary, Alberta T3E 8B4. The Company is controlled by Canadian Utilities Limited, which in turn is principally controlled by ATCO Ltd. and its controlling share owner, the Southern family.

CU Inc. is engaged in the following business activities:

- Electricity (electricity transmission and distribution); and
- Natural gas (natural gas transmission and distribution).

The unaudited interim consolidated financial statements include the accounts of CU Inc. and its subsidiaries (the Company).

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, 2021, 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 Committee, on behalf of the Board of Directors, on October 26, 2022.

BASIS OF MEASUREMENT

The unaudited interim consolidated financial statements are prepared on a historic cost basis, except for 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 and the timing of utility rate decisions.

3. SEGMENTED INFORMATION

SEGMENTED RESULTS

Results by operating segment for the three months ended September 30 are shown below.

2022 2021	Electricity	Natural Gas	Corporate & Other	Intersegment Eliminations	Consolidated
Revenues - external	**353**	**306**	–	–	**659**
	341	282	–	–	623
Revenues - intersegment	**1**	**1**	–	**(2)**	–
	–	1	–	(1)	–
Revenues	**354**	**307**	–	**(2)**	**659**
	341	283	–	(1)	623
Operating expenses [1]	**(123)**	**(194)**	–	**2**	**(315)**
	(125)	(196)	–	1	(320)
Depreciation and amortization	**(76)**	**(59)**	–	–	**(135)**
	(76)	(56)	–	–	(132)
Net finance costs	**(55)**	**(32)**	**(1)**	–	**(88)**
	(56)	(34)	(1)	–	(91)
Earnings (loss) before income taxes	**100**	**22**	**(1)**	–	**121**
	84	(3)	(1)	–	80
Income tax (expense) recovery	**(23)**	**(5)**	–	–	**(28)**
	(20)	1	–	–	(19)
Earnings (loss) for the period	**77**	**17**	**(1)**	–	**93**
	64	(2)	(1)	–	61
Adjusted earnings (loss)	**81**	**6**	**(1)**	–	**86**
	73	3	(1)	–	75
Capital expenditures [3]	**136**	**129**	–	–	**265**
	84	107	–	–	191

Results by operating segment for the nine months ended September 30 are shown below.

2022 2021	Electricity	Natural Gas	Corporate & Other	Intersegment Eliminations	Consolidated
Revenues - external	**1,099**	**1,215**	–	–	**2,314**
	1,000	997	–	–	1,997
Revenues - intersegment	**2**	**2**	–	**(4)**	–
	2	1	–	(3)	–
Revenues	**1,101**	**1,217**	–	**(4)**	**2,314**
	1,002	998	–	(3)	1,997
Operating expenses (1)	**(374)**	**(650)**	–	**4**	**(1,020)**
	(369)	(627)	–	3	(993)
Depreciation and amortization	**(233)**	**(176)**	–	–	**(409)**
	(232)	(167)	–	–	(399)
Net finance costs	**(166)**	**(99)**	**(3)**	–	**(268)**
	(169)	(100)	(3)	–	(272)
Earnings (loss) before income taxes	**328**	**292**	**(3)**	–	**617**
	232	104	(3)	–	333
Income tax (expense) recovery	**(82)**	**(68)**	**1**	–	**(149)**
	(54)	(25)	1	–	(78)
Earnings (loss) for the period	**246**	**224**	**(2)**	–	**468**
	178	79	(2)	–	255
Adjusted earnings (loss)	**256**	**163**	**(2)**	–	**417**
	231	131	(3)	–	359
Total assets (2)	**10,448**	**7,175**	**82**	**2**	**17,707**
	10,303	7,265	53	(9)	17,612
Capital expenditures (3)	**367**	**316**	–	–	**683**
	257	526	–	–	783

(1) Includes total costs and expenses, excluding depreciation and amortization expense.
(2) 2021 comparatives are at December 31, 2021.
(3) Includes additions to property, plant and equipment, intangibles and $4 million and $9 million of interest capitalized during construction for the three and nine months ended September 30, 2022 (2021 - $2 million and $8 million).

ADJUSTED EARNINGS

Adjusted earnings are earnings for the period 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;
- 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 September 30 is shown below.

2022 **2021**	**Electricity**	**Natural Gas**	**Corporate & Other**	**Intersegment Eliminations**	**Consolidated**
Adjusted earnings (loss)	**81**	**6**	**(1)**	**–**	**86**
	73	3	(1)	–	75
Transition of managed IT services	**–**	**–**	**–**	**–**	**–**
	(3)	(3)	–	–	(6)
Rate-regulated activities	**(2)**	**12**	**–**	**–**	**10**
	(5)	(3)	–	–	(8)
IT Common Matters decision	**(3)**	**(1)**	**–**	**–**	**(4)**
	(2)	(1)	–	–	(3)
Dividends on equity preferred shares of the Company	**1**	**–**	**–**	**–**	**1**
	1	2	–	–	3
Earnings (loss) for the period	**77**	**17**	**(1)**	**–**	**93**
	64	(2)	(1)	–	61

The reconciliation of adjusted earnings and earnings for the nine months ended September 30 is shown below.

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

Alberta Utilities Commission (AUC) enforcement proceeding

On November 29, 2021, the AUC enforcement branch filed an application with the AUC recommending an enforcement proceeding be initiated. A proceeding was commenced to determine whether ATCO Electric Transmission failed to comply with AUC decisions and enactments under the AUC's jurisdiction with respect to a sole source contract for the Jasper interconnection project and the actions leading up to and including the filing of the 2018-2020 Deferral Account Application.

The AUC enforcement branch and ATCO Electric Transmission commenced settlement discussions in January 2022. On March 18, 2022, the AUC enforcement branch and ATCO Electric Transmission concluded discussions and notified the AUC that the parties had reached a settlement on all matters. On April 14, 2022, the AUC enforcement branch and ATCO Electric Transmission filed the settlement with the AUC, which reflected an agreed administrative penalty of $31 million, a commitment to amend the ongoing Deferral Account application to ensure the estimated

$11 million of additional rate base remains excluded from customer rates, and the implementation of revised practices and policies. On June 29, 2022, the AUC issued its decision approving the settlement in its entirety.

In the fourth quarter of 2021 and during the nine months ended September 30, 2022, the Company recognized costs of $14 million and $27 million (after-tax), respectively, related to the proceeding. As this proceeding is not in the normal course of business, these costs have been excluded from adjusted earnings.

Workplace COVID-19 vaccination standard

To safeguard the health and safety of employees, business partners, customers and communities, the Company required its employees, subject to certain exemptions, to be vaccinated against COVID-19 effective January 1, 2022. Employees who did not demonstrate they were vaccinated or did not have an approved exemption were placed on unpaid leave. These employees were subsequently offered severance and in the nine months ended September 30, 2022, the Company incurred $8 million after-tax related to amounts paid and accrued. As these costs are not in the normal course of business and are a one-time item, they have been excluded from Adjusted Earnings.

Gain on sale of ownership interest in a subsidiary company

On March 31, 2022, the Company and Denendeh Investments Incorporated (DII) entered into a share purchase agreement to increase DII's ownership interest in Northland Utilities Enterprises Ltd. (NUE) from 14 per cent to 50 per cent. NUE was an electric utility company operating in the Northwest Territories, Canada and a subsidiary of ATCO Electric Ltd. The change in ownership interest was accomplished through the Company's sale to DII of a 36 per cent ownership interest in NUE for proceeds, net of cash disposed, of $8 million. The transaction results in the Company and DII each having a 50 per cent ownership interest in NUE.

The share purchase agreement includes a put option whereby the Company may be required to purchase the 36 per cent ownership interest that was sold to DII for fair market value, if certain conditions occur.

Commencing March 31, 2022, the Company no longer consolidates NUE as a controlled subsidiary, and instead, accounts for NUE as an investment in joint venture using the equity method of accounting. The transaction resulted in a gain on sale of $5 million after-tax. As the gain on sale is not in the normal course of business, it has been excluded from adjusted earnings.

Transition of managed IT services

In 2020, the Company’s parent, Canadian Utilities Limited, signed a Master Services Agreement (MSA) with IBM Canada Ltd. (IBM) (subsequently novated to Kyndryl Canada Ltd.) to provide managed information technology (IT) services. These services were previously 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 was complete by December 31, 2021.

The Company recognized transition costs of $8 million and $34 million ($6 million and $26 million after-tax), respectively, during the three and nine months ended September 30, 2021. The transition costs related 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.

Rate-regulated activities

ATCO Electric, ATCO Electric Yukon, Northland Utilities (NWT), Northland Utilities (Yellowknife), ATCO Gas and ATCO Pipelines 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 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.
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.

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	
	2022	**2021**	**2022**	**2021**
Additional revenues billed in current period				
Future removal and site restoration costs [(1)]	**29**	26	**91**	85
Revenues to be billed in future periods				
Deferred income taxes [(2)]	**(18)**	(17)	**(63)**	(71)
Distribution rate relief [(3)]	–	(20)	–	(95)
Impact of warmer temperatures [(4)]	**(6)**	(4)	**(8)**	(5)
Settlement of regulatory decisions and other items				
Distribution rate relief [(3)]	**19**	–	**84**	–
Other	**(14)**	7	**(17)**	10
	10	(8)	**87**	(76)

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

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

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

(4) *ATCO 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 temperatures in the current period are refunded to or recovered from customers in future periods.*

IT Common Matters decision

Consistent with the treatment of the gain on sale in 2014 from the IT services business by CU Inc.'s parent, Canadian Utilities Limited, financial impacts associated with the IT Common Matters decision are excluded from adjusted earnings. The amount excluded from adjusted earnings in the three and nine months ended September 30, 2022 was $4 million and $11 million (2021 - $3 million and $10 million).

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 September 30 is shown below:

2022 2021	Electricity (1)	Natural Gas (1)	Total
Revenue Streams			
Rendering of Services			
Distribution services	**140**	**170**	**310**
	149	158	307
Transmission services	**176**	**82**	**258**
	160	76	236
Customer contributions	**8**	**6**	**14**
	8	5	13
Franchise fees	**9**	**46**	**55**
	7	41	48
Total rendering of services	**333**	**304**	**637**
	324	280	604
Other	**20**	**2**	**22**
	17	2	19
Total	**353**	**306**	**659**
	341	282	623

(1) For the three months ended September 30, 2022, Electricity and Natural Gas segments include $100 million of unbilled revenue (2021 - $83 million).

The disaggregation of revenues by each operating segment for the nine months ended September 30 is shown below:

2022 2021	Electricity (1)	Natural Gas (1)	Total
Revenue Streams			
Rendering of Services			
Distribution services	**462**	**722**	**1,184**
	401	582	983
Transmission services	**535**	**253**	**788**
	506	228	734
Customer contributions	**24**	**16**	**40**
	25	15	40
Franchise fees	**28**	**216**	**244**
	24	163	187
Total rendering of services	**1,049**	**1,207**	**2,256**
	956	988	1,944
Other	**50**	**8**	**58**
	44	9	53
Total	**1,099**	**1,215**	**2,314**
	1,000	997	1,997

(1) For the nine months ended September 30, 2022, Electricity and Natural Gas segments include $100 million of unbilled revenue (2021 - $83 million). At September 30, 2022, $100 million of the unbilled revenue is included in accounts receivable and contract assets (December 31, 2021 - $83 million).

5. PROPERTY, PLANT AND EQUIPMENT

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

	Utility Transmission & Distribution	Land and Buildings	Construction Work-in-Progress	Other	Total
Cost					
December 31, 2021	20,270	616	324	677	21,887
Additions	–	–	**600**	–	**600**
Transfers	**336**	**4**	**(355)**	**15**	–
Retirements and disposals	**(64)**	**(2)**	–	**(22)**	**(88)**
Sale of ownership interest in a subsidiary company (*Note 3*)	**(111)**	**(8)**	**(2)**	**(5)**	**(126)**
September 30, 2022	**20,431**	**610**	**567**	**665**	**22,273**
Accumulated depreciation					
December 31, 2021	5,158	171	–	341	5,670
Depreciation	**341**	**12**	–	**32**	**385**
Retirements and disposals	**(64)**	**(2)**	–	**(22)**	**(88)**
Sale of ownership interest in a subsidiary company (*Note 3*)	**(52)**	**(3)**	–	**(2)**	**(57)**
September 30, 2022	**5,383**	**178**	–	**349**	**5,910**
Net book value					
December 31, 2021	15,112	445	324	336	16,217
September 30, 2022	**15,048**	**432**	**567**	**316**	**16,363**

The additions to property, plant and equipment included $5 million of interest capitalized during construction for the nine months ended September 30, 2022 (2021 - $8 million).

PIONEER NATURAL GAS PIPELINE

On February 25, 2022, ATCO Gas and Pipelines Ltd., a wholly owned subsidiary of the Company, closed a transaction to transfer a 30 kilometre segment of the Pioneer Natural Gas Pipeline to Nova Gas Transmission Ltd. for $63 million. This asset was previously recorded as assets held-for-sale in prepaid expenses and other current assets in the consolidated balance sheets. The proceeds from sale are included in other investing activities in the unaudited interim consolidated statements of cash flows.

6. SHORT-TERM DEBT

At September 30, 2022, the Company had $19 million of commercial paper outstanding at an effective interest rate of 3.39 per cent, maturing in October 2022 (December 31, 2021 - $206 million of commercial paper outstanding at a weighted average effective interest rate of 0.32 per cent, maturing in January 2022).

7. LONG-TERM DEBT

On September 7, 2022, the Company issued $210 million of 4.773 per cent debentures maturing on September 14, 2052.

On April 1, 2022, the Company repaid $125 million of 9.92 per cent debentures.

On September 5, 2021, the Company issued $460 million of 3.174 per cent debentures maturing on September 5, 2051.

8. EQUITY PREFERRED SHARES AND EQUITY PREFERRED SHARES TO PARENT COMPANY

DIVIDENDS

Cash dividends declared and paid per share are as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
(dollars per share)	**2022**	**2021**	**2022**	**2021**
Equity preferred shares				
Cumulative Redeemable Preferred Shares				
4.60% Series 1	**0.2875**	0.2875	**0.8625**	0.8625
2.292% Series 4 [(1)]	**0.1433**	0.1433	**0.4298**	0.4236
Equity preferred shares to parent company				
Perpetual Cumulative Second Preferred Shares				
4.60% Series V	**–**	0.1706	**–**	0.7456

(1) Effective June 1, 2021, the annual dividend rate for the Series 4 Preferred Shares was reset at 2.292 per cent for the five-year period from June 1, 2021 to May 31, 2026. Prior to the reset on June 1, 2021, the annual dividend rate was 2.243 per cent.

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 October 13, 2022, the Company declared fourth quarter eligible dividends of $0.2875 per Series 1 Preferred Share and $0.14325 per Series 4 Preferred Share.

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.

9. CLASS A AND CLASS B SHARES

DIVIDENDS

The Company declared and paid cash dividends of $19.08 and $60.01 per Class A non-voting share (Class A share) and Class B common share (Class B share) during the three and nine months ended September 30, 2022 (2021 - $15.26 and $45.65 for the three and nine months ended September 30, 2021). The payment of dividends is at the discretion of the Board and depends on the financial condition of the Company and other factors.

On October 13, 2022, the Company declared a fourth quarter dividend of $25.70 per Class A and Class B share.

10. CASH FLOW INFORMATION

ADJUSTMENTS TO RECONCILE EARNINGS TO CASH FLOWS FROM OPERATING ACTIVITIES

Adjustments to reconcile earnings to cash flows from operating activities are summarized below.

	Three Months Ended September 30		Nine Months Ended September 30	
	2022	**2021**	**2022**	**2021**
Depreciation and amortization	**135**	132	**409**	399
Income tax expense	**28**	19	**149**	78
Contributions by customers for extensions to plant	**37**	20	**136**	117
Amortization of customer contributions	**(14)**	(13)	**(40)**	(40)
Net finance costs	**88**	91	**268**	272
Income taxes recovered (paid)	**6**	2	**(2)**	(20)
Other	**4**	(2)	**(2)**	(3)
	284	249	**918**	803

CASH POSITION

Cash position at September 30 is comprised of:

	2022	2021
Cash	**148**	32
Short-term advances to parent company	**22**	65
Cash and cash equivalents	**170**	97
Bank indebtedness	**–**	(4)
Short-term advances from parent company	**–**	(65)
	170	28

11. 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, short-term advances to parent company, accounts receivable and contract assets, trade accounts receivable from parent and affiliate companies, bank indebtedness, short-term advances from parent company, accounts payable and accrued liabilities, accounts payable to parent and affiliate companies and short-term debt	Assumed to approximate carrying value due to their short-term nature.
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).

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

	September 30, 2022		December 31, 2021	
Recurring Measurements	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Liabilities				
Long-term debt	**8,484**	**7,579**	8,401	9,921