CANADIAN UTILITIES LIMITED
An ATCO Company

CANADIAN UTILITIES LIMITED
FINANCIAL INFORMATION

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022

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2022 INVESTOR FACT SHEET

UTILITIES I ENERGY INFRASTRUCTURE

CANADIAN UTILITIES LIMITED
An ATCO Company

Canadian Utilities is an ATCO company with approximately 4,800 employees and assets of $22 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 operations); Energy Infrastructure (energy storage, energy generation, industrial water solutions, and clean fuels); and Retail Energy (electricity and natural gas retail sales, and whole-home solutions).

CU QUICK FACTS

Common Shares (TSX): CU, CU.X	
Total Assets	**$22 Billion**
Dividends	**$1.78 per share annualized**
Market Capitalization	**$10 billion**
Common Shares Outstanding *(weighted average)*	**269 million**

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. Above values as of September 30, 2022.

INVESTMENT HIGHLIGHTS

Leaders in Clean Energy Transition – CU continues to bring innovative energy solutions to the markets in which we operate with a focus on energy transition and decarbonization. This includes projects in hydrogen, renewable natural gas and renewable electricity generation.

Accomplished Management Team – Our leaders' continued focus on operational excellence and transparent governance creates intergenerational value for our share owners.

Dividend Growth – CU has a 50-year track record of increasing common share dividends.

Strong, Investment Grade, Credit Rating – 'BBB+' rating by Standard & Poor's, an 'A' rating by DBRS Limited, and a 'A-' by Fitch.

LEARN MORE ABOUT CANADIAN UTILITIES

- Quarterly & Annual Reports
- Investor Presentations & Events
- Sustainability Report
- ESG Targets News Release
- Indigenous Peoples Partnerships
- CU Inc.
- Sign up for Email News Alerts

OPERATIONAL EXCELLENCE

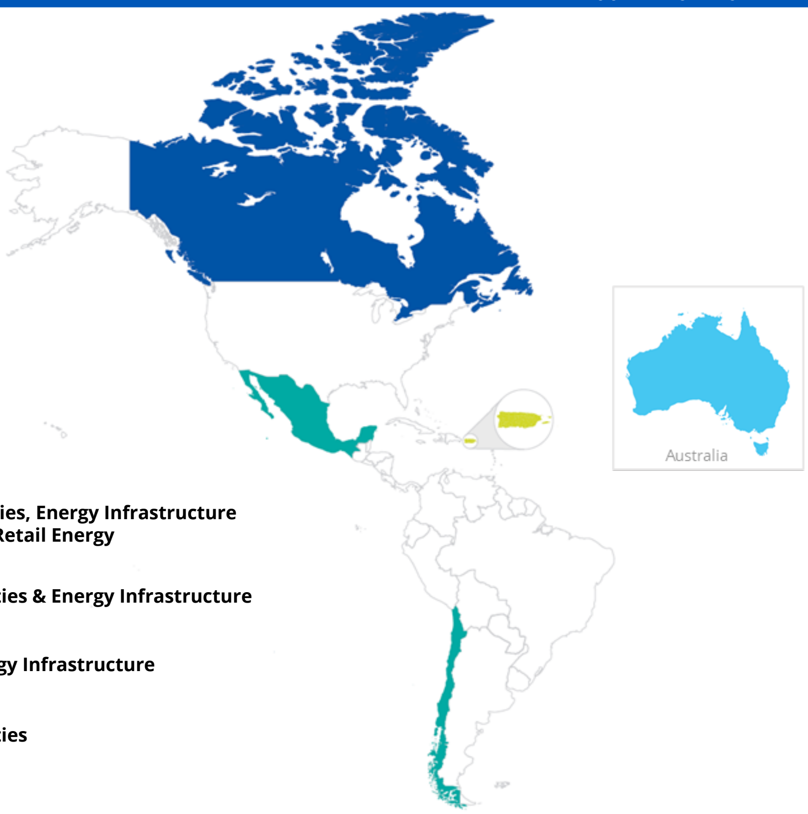
Remote Energy Transition – CU is focused on helping remote communities reduce their reliance on diesel through a combination of renewable generation, battery storage, and integrated control systems. In 2021, through these initiatives, the communities of Ft. Chip & Old Crow reduced their diesel consumption by a combined 1.7 million liters.

ESG Leadership – CU will be a key contributor to ATCO achieving its net zero commitment by 2050, along with numerous other targets including the reduction of net operational GHG emissions to earnings intensity by 30% (Scope 1 & 2), and managing, owning, or developing over 1,000 MW of renewable energy.

Hydrogen – CU is positioning itself as a leader in the hydrogen space. We are simultaneously pursuing the production of clean hydrogen in both Canada and Australia. Additionally, our global utility businesses are piloting hydrogen blending of up to 20% within the existing natural gas system. This blending will help decarbonize customer energy in a cost-effective manner.

Corporate Values – CU focuses on our key pillars of agility, collaboration, caring, and integrity to protect our core assets and optimize new growth platforms.

CU AT A GLANCE



Utilities, Energy Infrastructure and Retail Energy

Utilities & Energy Infrastructure

Energy Infrastructure

Utilities

105,000 kms
Electric Powerlines
Owns & Operates

64,000 kms
Pipelines
Owns & Operates

398 MW*
Power Generation
Operates

101 Pj***
Natural Gas
Storage Capacity

289 MW*
Power Generation
Owns

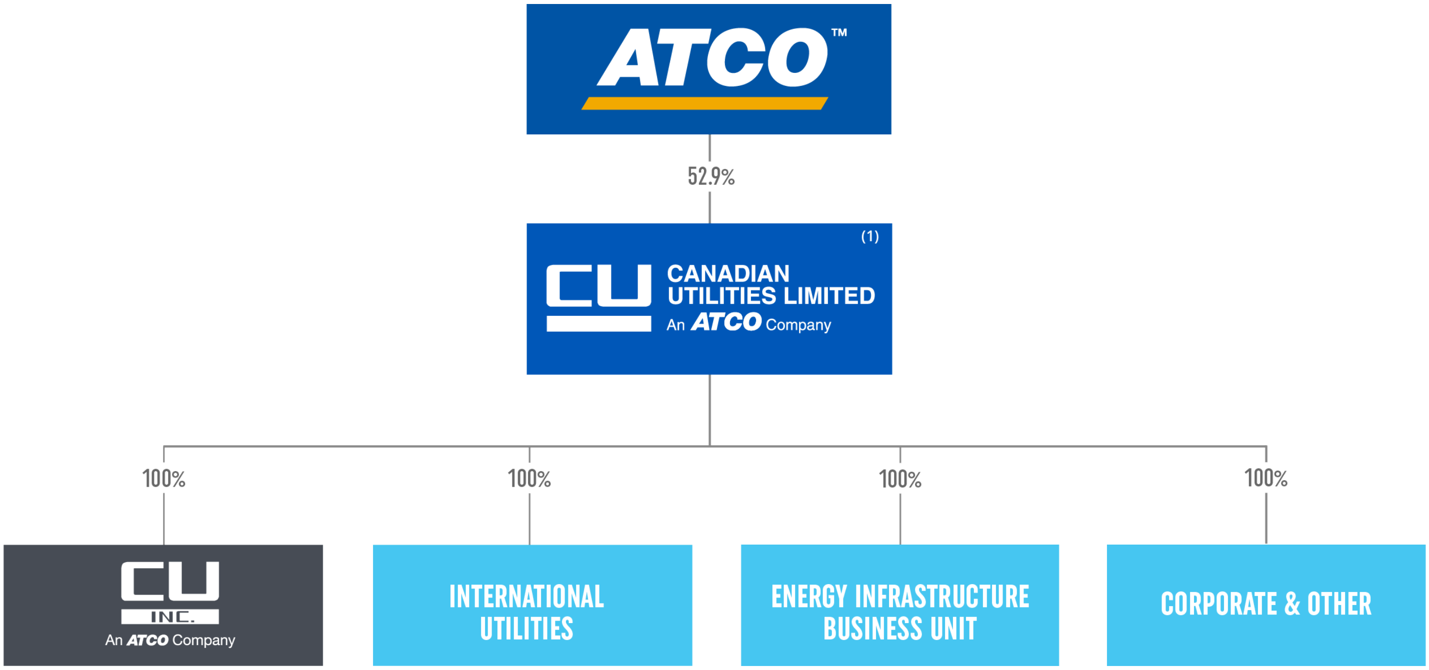
550,000 m3****
Natural Gas Liquids
Storage Capacity
Owns & Operates

85,200 m3/d**
Water Infrastructure
Capacity

*megawatts,
***petajoules

**cubic metres per day
****cubic metres

CORPORATE STRUCTURE



(1) 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.

ANALYST COVERAGE

BMO Capital Markets
Ben Pham

CIBC Capital Markets
Mark Jarvi

Credit Suisse
Andrew Kuske

Industrial Alliance
Matthew Weekes

National Bank Financial
Patrick Kenny

RBC Capital Markets
Maurice Choy

TD Securities
Linda Ezergailis

OUR LEADERSHIP TEAM

Nancy C. Southern, Chair & Chief Executive Officer

Brian P. Shkrobot, Executive Vice President & Chief Financial Officer

Melanie L. Bayley, President, ATCO Electric

M. George Constantinescu, Senior Vice President & Chief Transformation Officer

Bob J. Myles, Executive Vice President, Corporate Development

Becky A. Penrice, Executive Vice President, Corporate Services

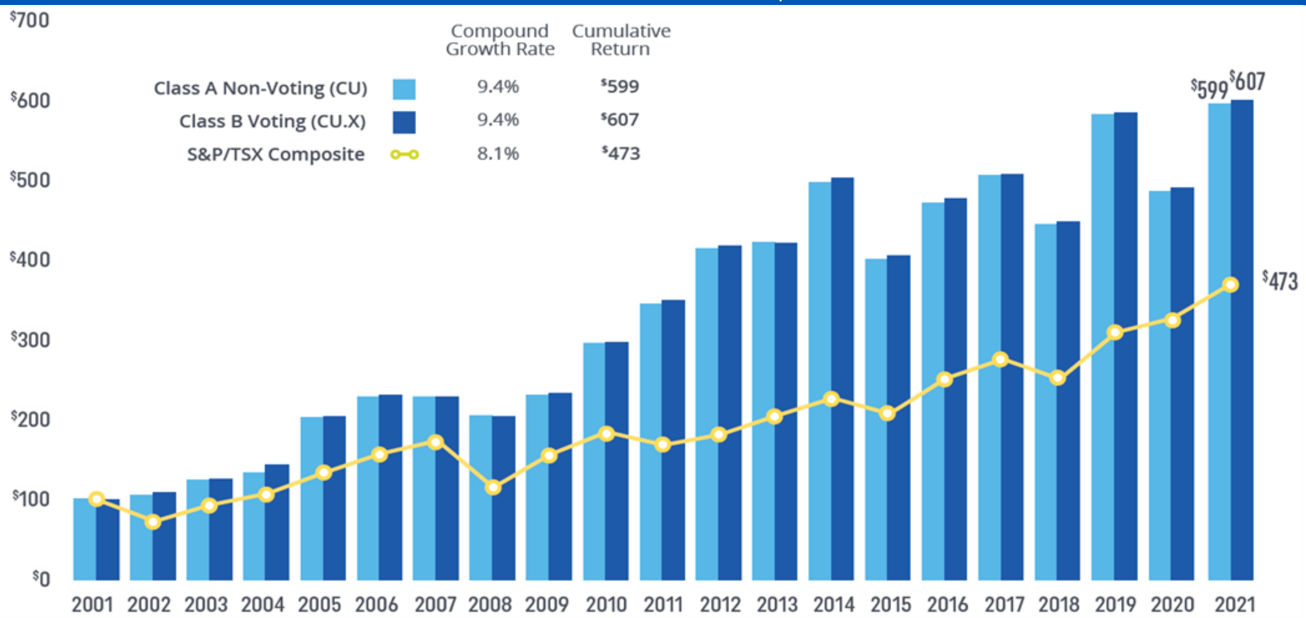
D. Jason Sharpe, President, ATCO Gas & Pipelines

Sarah J. Shortreed, Executive Vice President & Chief Technology Officer

Wayne K. Stensby, Executive Vice President, Puerto Rico

Marshall F. Wilmot, President, Retail & Chief Digital Officer

20-YEAR CUMULATIVE SHARE OWNER RETURN ON $100 INVESTMENT



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CANADIAN UTILITIES LIMITED
An ATCO Company

2022 THIRD QUARTER FINANCIAL INFORMATION

INVESTOR FACT SHEET

MANAGEMENT'S DISCUSSION AND ANALYSIS

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022

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An ATCO Company

CANADIAN UTILITIES LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022

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

This MD&A was prepared as of October 26, 2022, and should be read with the Company's unaudited interim consolidated financial statements for the nine months ended September 30, 2022. Additional information, including the Company's previous MD&As, Annual Information Form (2021 AIF), and audited consolidated financial statements for the year ended December 31, 2021, is available on SEDAR at www.sedar.com. Information contained in the 2021 MD&A is not discussed in this MD&A if it remains substantially unchanged.

The Company is controlled by 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 September 30 2022	2021	Change	Nine Months Ended September 30 2022	2021	Change
Key Financial Metrics						
Revenues	**898**	790	108	**2,941**	2,487	454
Adjusted earnings (loss) (1)	**120**	88	32	**475**	394	81
Utilities (1)	**135**	104	31	**525**	429	96
Energy Infrastructure	**12**	7	5	**30**	24	6
Corporate & Other	**(27)**	(23)	(4)	**(80)**	(59)	(21)
Adjusted earnings ($ per share)	**0.45**	0.33	0.12	**1.77**	1.46	0.31
Earnings attributable to equity owners of the Company	**109**	71	38	**487**	217	270
Earnings attributable to Class A and Class B shares	**89**	55	34	**432**	168	264
Earnings attributable to Class A and Class B shares ($ per share)	**0.33**	0.20	0.13	**1.61**	0.62	0.99
Diluted earnings attributable to Class A and Class B shares ($ per share)	**0.32**	0.20	0.12	**1.60**	0.62	0.98
Total assets	**21,530**	20,501	1,029	**21,530**	20,501	1,029
Long-term debt	**9,617**	9,472	145	**9,617**	9,472	145
Equity attributable to equity owners of the Company	**6,801**	6,404	397	**6,801**	6,404	397
Cash dividends declared per Class A and Class B share (cents per share)	**44.42**	43.98	0.44	**133.26**	131.94	1.32
Cash flows from operating activities	**380**	320	60	**1,532**	1,208	324
Capital investment (2)	**379**	252	127	**941**	912	29
Capital expenditures	**374**	247	127	**931**	893	38
Other Financial Metrics						
Weighted average Class A and Class B shares outstanding *(thousands):*						
Basic	**269,187**	268,869	318	**269,065**	270,181	(1,116)
Diluted	**269,751**	269,340	411	**269,617**	270,639	(1,022)

(1) Additional information regarding these total of segments measures is provided under the headings "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Equity Owners of the Company" in this MD&A.

(2) Additional information regarding this non-GAAP measure is provided under the headings "Other Financial and Non-GAAP Measures" and "Reconciliation of Capital Investment to Capital Expenditures" in this MD&A.

REVENUES

Revenues for the third quarter of 2022 were $898 million, $108 million higher than the same period in 2021. Higher revenues, largely in Electricity Distribution and Natural Gas Distribution, are a result of rate relief provided to customers in 2021 in light of the COVID-19 global pandemic and subsequently the AUC decision to maximize the collection of 2021 deferred revenues in 2022. Higher revenues were also due to higher electricity and natural gas commodity prices and customer growth at ATCOenergy, and additional revenue from the Alberta Hub natural gas facility acquired in December 2021 in the Energy Infrastructure segment.

ADJUSTED EARNINGS [(1)]

Our adjusted earnings in the third quarter of 2022 were $120 million or $0.45 per share, compared to $88 million or $0.33 per share for the same period in 2021.

Higher adjusted earnings in the third quarter of 2022 were mainly due to inflation indexing on rate base in Australia which positively impacted earnings in the International Natural Gas Distribution business, Energy Infrastructure's earnings from the Alberta Hub natural gas facility acquired in December 2021, and the timing of operating costs in the Natural Gas Distribution business.

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 $109 million in the third quarter of 2022, $38 million higher compared to 2021. 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, 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.

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.

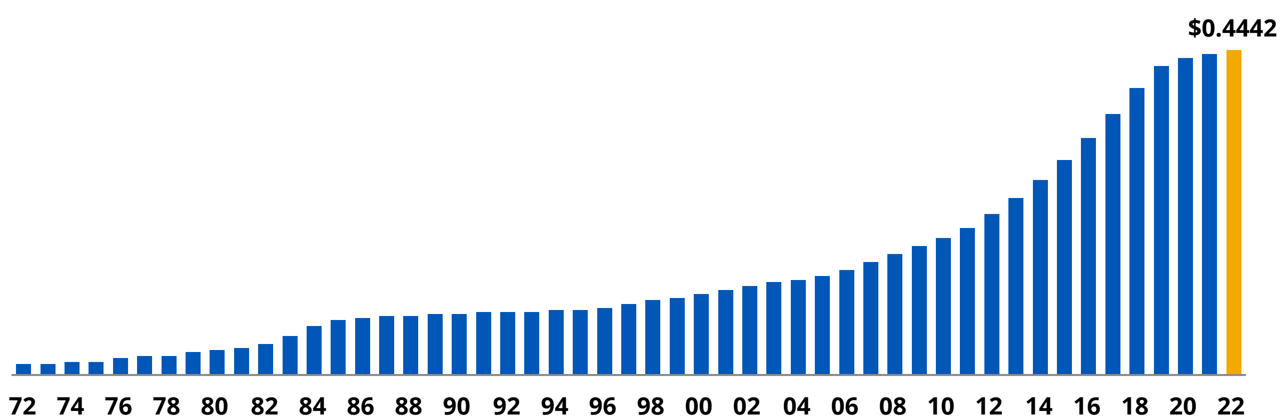
CASH FLOWS FROM OPERATING ACTIVITIES

Cash flows from operating activities were $380 million in the third quarter of 2022, $60 million higher than the same period in 2021. The increase was mainly due to higher cash flows from the Electricity Distribution and Gas Distribution businesses resulting from revenue attributable to the recovery of the 2021 deferral of rate increases, and the timing of certain revenue and expenses in the Utilities.

COMMON SHARE DIVIDENDS

Dividends paid to Class A and Class B share owners in the third quarter of 2022 totaled $115 million, net of $4 million of DRIP. On October 13, 2022, the Board of Directors declared a fourth quarter dividend of 44.42 cents per share or $1.78 on an annualized basis. We aim to grow dividends in-line with our sustainable earnings growth, which is linked to growth from our regulated and long-term contracted investments.

Quarterly Dividend Rate 1972 - 2022
(dollars per share)



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

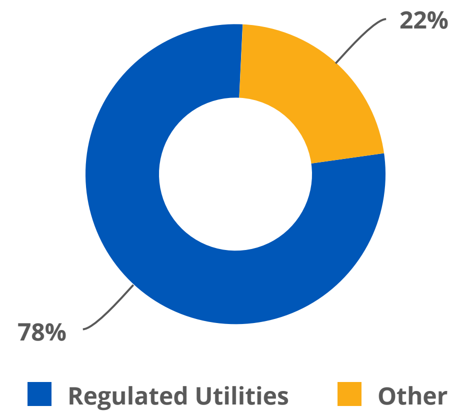
CAPITAL INVESTMENT [(1)] AND CAPITAL EXPENDITURES

Total capital investment and capital expenditures of $379 million and $374 million in the third quarter of 2022 were $127 million higher in each case compared to the same period in 2021 mainly due to increased construction activities within the Energy Infrastructure segment, and ongoing capital investment in the Regulated Utilities.

Total capital investment and capital expenditures of $941 million and $931 million in the first nine months of 2022 were $29 million and $38 million higher compared to the same period in 2021 mainly due to increased construction activities within the Energy Infrastructure segment, and ongoing capital investments in the Regulated Utilities. This was partially offset by the 2021 acquisition of the Pioneer Pipeline and the completion of construction of the Calgary Northwest Connector in 2021 in Natural Gas Transmission.

Capital spending in the Regulated Utilities accounted for 78 per cent of total capital expenditures in the first nine months of 2022. The remaining 22 per cent was mainly related to increased construction activities within the Energy Infrastructure segment, including the Barlow, Deerfoot and Empress Solar Projects and the expansion of the Carbon natural gas storage facility.

Capital Expenditures for the Nine Months Ended September 30, 2022



(1) Additional information regarding this non-GAAP measure is provided under the headings "Other Financial and Non-GAAP Measures" and "Reconciliation of Capital Investment to Capital Expenditures" in this MD&A.

BUSINESS UNIT PERFORMANCE

REVENUES

Utilities revenues of $721 million and $2,482 million in the third quarter and first nine months of 2022 were $42 million and $325 million higher than the same periods in 2021. Higher revenues, largely in Electric Distribution and Natural Gas Distribution, are a result of rate relief provided to customers in 2021 in light of the COVID-19 global pandemic and subsequently the AUC decision to maximize the collection of 2021 deferred revenues in 2022. Higher revenues in the first nine months are also due to higher flow-through revenues in Natural Gas Distribution and growth in rate base.

ADJUSTED EARNINGS

	Three Months Ended September 30			Nine Months Ended September 30		
($ millions)	**2022**	**2021**	**Change**	**2022**	**2021**	**Change**
Electricity						
Electricity Distribution (1)	**41**	35	6	**128**	114	14
Electricity Transmission (1)	**41**	38	3	**128**	117	11
International Electricity Operations (1)	**17**	14	3	**39**	28	11
Total Electricity	**99**	87	12	**295**	259	36
Natural Gas						
Natural Gas Distribution (1)	**(16)**	(18)	2	**95**	70	25
Natural Gas Transmission (1)	**22**	21	1	**68**	61	7
International Natural Gas Distribution (1)	**30**	14	16	**67**	39	28
Total Natural Gas	**36**	17	19	**230**	170	60
Total Utilities (2)	**135**	104	31	**525**	429	96

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

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

Utilities adjusted earnings of $135 million and $525 million in the third quarter and first nine months of 2022 were $31 million and $96 million higher than the same periods in 2021. Higher earnings were mainly due to the impact of inflation indexing on rate base in the International Natural Gas Distribution business, timing of operating costs, cost efficiencies, and growth in rate base. Higher earnings in the third quarter and first nine months of 2022 were also due to the impact of the Electricity Transmission 2018-2019 General Tariff Application (GTA) Compliance Filing and the 2020-2022 GTA Compliance Filing decisions received from the AUC in the second and third quarters of 2021.

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

Electricity Distribution

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

Electricity Distribution adjusted earnings of $41 million and $128 million in the third quarter and first nine months of 2022 were $6 million and $14 million higher than the same periods in 2021 mainly due to cost efficiencies.

Electricity Transmission

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

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

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 (P3A) and the Puerto Rico Electric Power Authority (PREPA).

LUMA Energy continues operations under terms of a Supplemental Agreement as PREPA remains in bankruptcy. This Agreement can span up to 18 months and allows LUMA Energy to collect an annualized fixed fee equivalent of $115 million USD. Should PREPA emerge from bankruptcy during this period, LUMA Energy will transition to year one of the Operations and Maintenance agreement.

International Electricity Operations adjusted earnings of $17 million in the third quarter of 2022 were $3 million higher than the same period in 2021. Higher adjusted earnings were mainly due to lower non-recoverable costs than in prior periods.

International Electricity Operations adjusted earnings of $39 million in the first nine months of 2022 were $11 million higher than the same period in 2021. Higher adjusted earnings were mainly due to ongoing operations, as compared to the ongoing transition work in the first half of 2021 and lower non-recoverable costs than in prior periods.

Natural Gas Distribution

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

Natural Gas Distribution adjusted earnings in the third quarter and first nine months of 2022 were $2 million and $25 million higher than the same periods in 2021 mainly due to timing of operating costs and cost efficiencies.

Natural Gas Transmission

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

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

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 $30 million and $67 million in the third quarter and first nine months of 2022 were $16 million and $28 million higher than the same periods in 2021 mainly due to the impact of inflation indexing on rate base. The impact of inflation on rate base is added to the rate base annually and is reflected in customer rates in future periods through the recovery of depreciation. Customer rates are adjusted annually through a mechanism, which adjusts the approved rates in real dollars for actual inflation.

UTILITIES RECENT DEVELOPMENTS

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

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

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

UTILITIES REGULATORY DEVELOPMENTS

COMMON MATTERS

2023 Cost of Service (COS) for Distribution Utilities

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

ENERGY INFRASTRUCTURE

REVENUES

Energy Infrastructure revenues of $67 million and $218 million in the third quarter and first nine months of 2022 were $23 million and $83 million higher than the same periods in 2021. Higher revenues were mainly due to revenue from the Alberta Hub natural gas facility acquired in December 2021, higher power pricing at the Old Man River hydro facility, and higher natural gas prices at the Carbon and Alberta Hub natural gas storage facilities.

ADJUSTED EARNINGS

	Three Months Ended September 30			Nine Months Ended September 30		
($ millions)	**2022**	**2021**	**Change**	**2022**	**2021**	**Change**
Electricity Generation (1) (2)	**1**	5	(4)	**7**	13	(6)
Storage & Industrial Water (1) (2)	**11**	2	9	**23**	11	12
Total Energy Infrastructure (2)	**12**	7	5	**30**	24	6

(1) Considered to be non-GAAP financial measures.

(2) Additional information is provided under the headings "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Equity Owners of the Company" in this MD&A.

Energy Infrastructure adjusted earnings of $12 million and $30 million in the third quarter and first nine months of 2022 were $5 million and $6 million higher than the same periods in 2021 mainly due to earnings from the Alberta Hub natural gas storage facility acquired in December 2021, and higher power pricing at the Old Man River hydro facility, partially offset by higher project development costs incurred in 2022, largely in Australia.

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

Electricity Generation adjusted earnings of $1 million and $7 million in the third quarter and first nine months of 2022 were $4 million and $6 million lower compared to the same periods in 2021 mainly due to higher project development costs incurred in 2022, largely in Australia, partially offset by higher earnings driven by increased power pricing at the Old Man River hydro facility.

Storage & Industrial Water

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

Storage & Industrial Water adjusted earnings of $11 million and $23 million in the third quarter and first nine months of 2022 were $9 million and $12 million higher compared to the same periods in 2021 mainly due to earnings from the Alberta Hub natural gas storage facility acquired in December 2021.

ENERGY INFRASTRUCTURE RECENT DEVELOPMENTS

Central West Pumped Storage Hydro Project

In February 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 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 (NSW). In September 2022, a $9 million AUD recoverable grant was awarded by the NSW Government to help fund pre-investment activities. A final investment decision on project construction is expected in 2023.

Renewable Energy Portfolio Acquisition

On October 5, 2022, Canadian Utilities announced it has entered into a definitive agreement with Suncor Energy Inc. to acquire a portfolio of wind and solar assets and development projects located in Alberta and Ontario for a purchase price of approximately $730 million, subject to closing adjustments. The transaction is expected to close in the first quarter of 2023 and is subject to regulatory approvals and closing conditions.

The acquisition includes a diversified operating portfolio of wind assets, including a majority interest in the Adelaide wind facility in Ontario, and the new 202-MW Forty Mile wind project in Alberta (expected to be operational by the end of this year). The offtake from Adelaide is contracted under a long-term power purchase agreement and the Company is in contract discussions with creditworthy counterparties on the Forty Mile project. With the acquisition the Company will also secure a development pipeline with more than 1,500-MW of wind and solar projects at various stages of development, including several late-stage projects.

This investment drives meaningful progress towards meeting our previously announced goal of owning, developing or managing more than 1,000-MW of renewable energy by 2030 and is expected to be earnings and cash flow accretive in the first year of operations.

Canadian Utilities' Corporate & Other segment includes Rümi, Blue Flame Kitchen and Retail Energy through ATCOenergy which provides home products, home maintenance services, professional advice, and 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 September 30			Nine Months Ended September 30	
($ millions)	**2022**	**2021**	**Change**	**2022**	**2021**	**Change**
Canadian Utilities Corporate & Other [(1)]	**(27)**	(23)	(4)	**(80)**	(59)	(21)

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

Including intersegment eliminations, Canadian Utilities' Corporate & Other adjusted earnings in the third quarter and first nine months of 2022 were $4 million and $21 million lower than the same periods in 2021 mainly due to increased financing costs from a new preferred share issuance in December 2021 and the timing of certain expenses.

SUSTAINABILITY, CLIMATE CHANGE AND ENERGY TRANSITION

Within the ATCO group of companies (including Canadian Utilities), 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 around the world, we operate in an inclusive manner to meet the needs of society today and for generations to come while consistently delivering safe, reliable and affordable services.

The following section outlines commitments made by Canadian Utilities' parent company, ATCO. Canadian Utilities is supportive of the commitments made by ATCO and will play a key part in achieving the ESG targets set by ATCO.

Sustainability Reporting and ESG Targets

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

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

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

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

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

Climate Change and Energy Transition

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

POLICY/REGULATORY UPDATE

We actively and constructively work with all levels of government to advocate for enabling policy and regulation, and to identify barriers that impede cost-effective, economy-wide decarbonization. We participate in a wide number of discussions, and the following are examples of where we focus our efforts.

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

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

Alberta Utilities Commission (AUC) Hydrogen Inquiry Report

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

OTHER EXPENSES AND INCOME

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

	Three Months Ended September 30			Nine Months Ended September 30		
($ millions)	**2022**	**2021**	**Change**	**2022**	**2021**	**Change**
Operating costs	**532**	468	64	**1,600**	1,429	171
Depreciation, amortization and impairment	**155**	151	4	**468**	513	(45)
Earnings from investment in joint ventures	**21**	18	3	**54**	36	18
Net finance costs	**90**	97	(7)	**279**	290	(11)
Income tax expense	**32**	19	13	**156**	69	87

OPERATING COSTS

Operating costs, which are total costs and expenses less depreciation, amortization and impairment, increased by $64 million and $171 million in the third quarter and first nine months of 2022 compared to the same periods in 2021. Higher operating costs were mainly due to higher energy costs and higher unrealized and realized losses on derivative financial instruments in ATCOenergy, higher flow-through costs in the Alberta Utilities, costs related to the AUC enforcement proceeding in Electricity Transmission, and increased fuel costs at Energy Infrastructure's natural gas storage facilities, Carbon and Alberta Hub. Higher operating costs were partially offset by the Information Technology (IT) transition costs incurred in 2021 for the early termination of the master services agreements with Wipro Ltd. (Wipro).

DEPRECIATION, AMORTIZATION AND IMPAIRMENT

Depreciation, amortization and impairment increased by $4 million in the third quarter of 2022 compared to the same period in 2021 mainly due to ongoing capital investment in the regulated businesses, and the acquisition of the Pioneer Pipeline in the Natural Gas Transmission business in June 2021.

Depreciation, amortization and impairment decreased by $45 million in the first nine months of 2022 compared to the same period in 2021 mainly due to the impairment of assets in the Energy Infrastructure segment as part of the continued assessment of our investment portfolio in the second quarter of 2021, partially offset by the acquisition of the Pioneer Pipeline in the Natural Gas Transmission business in June 2021, and ongoing capital investment in the regulated businesses.

EARNINGS FROM INVESTMENT IN JOINT VENTURES

Earnings from investment in joint ventures is mainly comprised of Canadian Utilities' ownership positions in electricity generation plants, Northland Utilities Enterprises (NUE) electricity operations in the Northwest Territories, 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 $3 million in the third quarter of 2022 compared to the same period in 2021. Higher earnings were mainly due to lower non-recoverable costs in the LUMA Energy business, and the inclusion of NUE earnings as an investment in joint venture after entering into the share purchase agreement on March 31, 2022.

Earnings from investment in joint ventures increased by $18 million in the first nine months of 2022 compared to the same period in 2021. Higher earnings were generated as a result of LUMA Energy's ongoing operations as compared to continued transition work in the first half of 2021 and lower non-recoverable costs than in prior periods, and the inclusion of NUE earnings as an investment in joint venture after entering into the share purchase agreement on March 31, 2022. Earnings in 2021 were also lower due to an impairment of an investment in the Energy Infrastructure segment as part of the continued assessment of our assets.

NET FINANCE COSTS

Net finance costs decreased by $7 million and $11 million in the third quarter and first nine months of 2022 compared to the same periods in 2021 mainly due to higher interest income from cash investments.

INCOME TAX EXPENSE

Income taxes were higher by $13 million and $87 million in the third quarter and first nine months of 2022 compared to the same periods in 2021 mainly due to increased IFRS earnings and non-deductible items.

LIQUIDITY AND CAPITAL RESOURCES

Our financial position is supported by our Regulated Utilities and our portfolio of energy infrastructure businesses, which are structured to be highly regulated and long-term contracted. 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 capital markets.

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.

CREDIT RATINGS

The following table shows the current credit ratings assigned to Canadian Utilities Limited, CU Inc. and ATCO Gas Australia Pty Ltd.

	DBRS	S&P	Fitch
Canadian Utilities Limited			
Issuer	A	BBB+	A-
Senior unsecured debt	A	BBB	A-
Commercial paper	R-1 (low)	A-1 (low)	F2
Preferred shares	PFD-2	P-2 (low)	BBB
CU Inc.			
Issuer	A (high)	A-	A-
Senior unsecured debt	A (high)	A-	A
Commercial paper	R-1 (low)	A-1 (low)	F2
Preferred shares	PFD-2 (high)	P-2	BBB+
ATCO Gas Australia Pty Ltd (1)			
Issuer and senior unsecured debt	N/A	BBB+	N/A

(1) ATCO Gas Australia Pty Ltd is a regulated provider of natural gas distribution services in Western Australia, serving metropolitan Perth and surrounding regions.

On September 12, 2022, DBRS Limited affirmed its 'A' long-term corporate credit rating and stable outlook on Canadian Utilities. On August 2, 2022, DBRS Limited affirmed its 'A (high)' long-term corporate credit rating and stable outlook on Canadian Utilities subsidiary CU Inc.

On August 11, 2022, S&P Global Ratings affirmed its 'BBB+' long-term issuer credit ratings and stable outlook on Canadian Utilities. On August 4, 2022 S&P Global Ratings affirmed Canadian Utilities subsidiary CU Inc.'s 'A-' long-term issuer credit ratings and stable outlook.

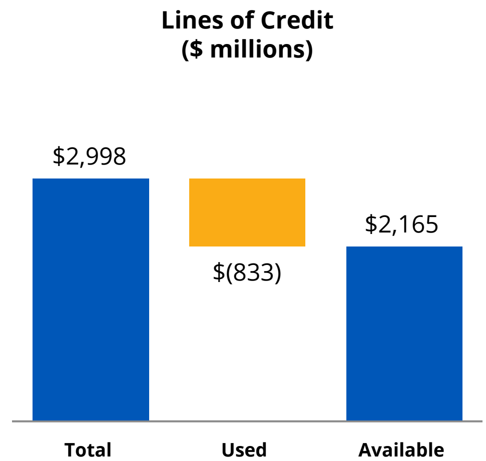
LINES OF CREDIT

At September 30, 2022, Canadian Utilities and its subsidiaries had the following lines of credit.

($ millions)	Total	Used	Available
Long-term committed	**2,445**	624	1,821
Uncommitted	**553**	209	344
Total	**2,998**	833	2,165

Of the $2,998 million in total lines of credit, $553 million was in the form of uncommitted credit facilities with no set maturity date. The other $2,445 million in credit lines was committed, with maturities between 2023 and 2026, and may be extended at the option of the lenders.

Of the $833 million in lines of credit used, $605 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 is for the issuance of letters of credit.



CONSOLIDATED CASH FLOW

At September 30, 2022, the Company's cash position was $911 million, an increase of $161 million compared to December 31, 2021 mainly due to Canadian Utilities Limited's and CU Inc.'s second and third quarter debt issuances, cash flows from operating activities achieved during the first nine months of 2022, and the closing of a transaction to transfer a 30-km segment of the Pioneer Natural Gas Pipeline to NGTL, partially offset by cash used to fund the capital investment program, dividends paid, and payments of debt and interest.

Cash Flows from Operating Activities

Cash flows from operating activities were $380 million and $1,532 million in the third quarter and first nine months of 2022, $60 million and $324 million higher than the same periods in 2021. These increases were mainly due to higher cash flows from the recovery of the 2021 deferral of customer rate increases, the timing of certain revenue and expenses in the Utilities, and cash generated from operations.

Cash Used for Capital Investment [1] and Capital Expenditures

Total capital investment and capital expenditures of $379 million and $374 million in the third quarter of 2022 were $127 million higher compared to the same period in 2021 mainly due to increased construction activities within the Energy Infrastructure segment, and ongoing capital investment in the Regulated Utilities.

Total capital investment and capital expenditures of $941 million and $931 million in the first nine months of 2022 were $29 million and $38 million higher compared to the same period in 2021 mainly due to increased construction activities within the Energy Infrastructure segment, and ongoing capital investment in the Regulated Utilities. This is partially offset by the 2021 acquisition of the Pioneer Pipeline and the completion of construction of the Calgary Northwest Connector in 2021 in the Natural Gas Transmission business.

(1) Additional information regarding this non-GAAP measure is provided under the headings "Other Financial and Non-GAAP Measures" and "Reconciliation of Capital Investment to Capital Expenditures" in this MD&A.

Capital investment and capital expenditures for the third quarter and first nine months of 2022 and 2021 are shown in the following table.

	Three Months Ended September 30			Nine Months Ended September 30		
($ millions)	**2022**	**2021**	**Change**	**2022**	**2021**	**Change**
Utilities						
Electricity	**136**	84	52	**367**	258	109
Natural Gas	**157**	130	27	**386**	588	(202)
	293	214	79	**753**	846	(93)
Energy Infrastructure	**78**	31	47	**170**	40	130
CU Corporate & Other	**3**	2	1	**8**	7	1
Canadian Utilities Total Capital Expenditures (1) (2)	**374**	247	127	**931**	893	38
Capital Expenditures in joint ventures						
Utilities						
Electricity	**2**	3	(1)	**4**	3	1
Energy Infrastructure	**3**	2	1	**6**	16	(10)
Canadian Utilities Total Capital Investment (3)	**379**	252	127	**941**	912	29

(1) *Includes additions to property, plant and equipment, intangibles and $5 million and $10 million (2021 - $3 million and $9 million) of capitalized interest during construction for the third quarter and first nine months of 2022.*

(2) *Includes $44 million and $152 million for the third quarter and first nine months of 2022 (2021 - $24 million and $131 million) of capital expenditures, mainly in the Utilities, that were funded with the assistance of customer contributions.*

(3) *Additional information regarding this non-GAAP measure is provided under the headings “Other Financial and Non-GAAP Measures” and “Reconciliation of Capital Investment to Capital Expenditures” in this MD&A.*

Base Shelf Prospectus - CU Inc. Debentures

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

CU Inc. Debenture Issuance

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

Dividends and Common Shares

We have increased our common share dividend each year since 1972, a 50-year track record. Dividends paid to Class A and Class B share owners totaled $115 million net of DRIP in the third quarter of 2022 and $347 million in the first nine months of 2022.

On October 13, 2022, the Board of Directors declared a fourth quarter dividend of 44.42 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 29, 2021, we commenced a normal course issuer bid to purchase up to 3,930,623 outstanding Class A shares. The bid expired on July 28, 2022. No shares were purchased.

Dividend Reinvestment Plan (DRIP)

On January 13, 2022, the Company reinstated its dividend reinvestment program (DRIP) for eligible Class A non-voting and Class B common share owners who are enrolled in the program. The DRIP was previously suspended effective January 10, 2019.

In the third quarter of 2022, Canadian Utilities issued 114,285 Class A shares under the DRIP using re-invested dividends of $4 million.

In the first nine months of 2022, Canadian Utilities issued 325,157 Class A shares under the DRIP using re-invested dividends of $12 million.

SHARE CAPITAL

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

At October 25, 2022, we had outstanding 197,813,249 Class A shares, 71,888,929 Class B shares, and options to purchase 1,857,680 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, 10,776,500 Class A shares were available for issuance at September 30, 2022. 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 December 31, 2020 through September 30, 2022.

($ millions, except for per share data)	Q4 2021	Q1 2022	Q2 2022	Q3 2022
Revenues	1,028	1,110	933	**898**
Earnings attributable to equity owners of the Company	176	227	151	**109**
Earnings attributable to Class A and B shares	160	209	134	**89**
Earnings per Class A and Class B share *($)*	0.59	0.78	0.50	**0.33**
Diluted earnings per Class A and Class B share *($)*	0.59	0.78	0.50	**0.32**
Adjusted earnings per Class A and Class B share *($)*	0.71	0.81	0.51	**0.45**
Adjusted earnings (loss)				
Utilities (1)	206	234	156	**135**
Energy Infrastructure	4	8	10	**12**
Corporate & Other and Intersegment Eliminations	(18)	(23)	(30)	**(27)**
Total adjusted earnings (1)	192	219	136	**120**

($ millions, except for per share data)	Q4 2020	Q1 2021	Q2 2021	Q3 2021
Revenues	881	907	790	790
Earnings attributable to equity owners of the Company	104	141	5	71
Earnings (loss) attributable to Class A and Class B shares	87	124	(11)	55
Earnings (loss) per Class A and Class B share *($)*	0.32	0.46	(0.04)	0.20
Diluted earnings (loss) per Class A and Class B share *($)*	0.32	0.46	(0.04)	0.20
Adjusted earnings per Class A and Class B share *($)*	0.68	0.70	0.43	0.33
Adjusted earnings (loss)				
Utilities (1)	195	201	124	104
Energy Infrastructure	12	10	7	7
Corporate & Other and Intersegment Eliminations	(21)	(20)	(16)	(23)
Total adjusted earnings (1)	186	191	115	88

(1) Additional information regarding these total of segments measures is provided under the headings "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Equity Owners of the Company" in this MD&A.

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

ADJUSTED EARNINGS

Adjusted earnings in the second and third quarters of each year were impacted by lower seasonal demand in the Natural Gas Distribution business. Adjusted earnings in the fourth quarter of 2021 were higher compared to the same period in 2020 mainly due to higher earnings from International Electricity Operations, and inflation indexing on rate base in Australia which positively impacted earnings in the International Natural Gas Distribution business. Higher earnings were partially offset by timing of operating costs in the Utilities, and costs associated with the purchase of the Alberta Hub natural gas storage facility, project development costs, non-recurring recoveries in 2020, and lower demand for natural gas storage in the Energy Infrastructure segment.

Adjusted earnings in the first quarter of 2022 were higher compared to the same period in 2021 mainly due to the timing of operating costs in the Natural Gas Distribution business, and earnings from International Electricity Operations.

Adjusted earnings in the second quarter of 2022 were higher compared to the same period in 2021 mainly due to inflation indexing on rate base in Australia which positively impacted earnings in the International Natural Gas Distribution business, the impact of the Electricity Transmission 2018-2019 GTA Compliance Filing decision received in the second quarter of 2021 in the Electric Transmission business, and the timing of operating costs in the Natural Gas Distribution business.

Adjusted earnings in the third quarter of 2022 were higher compared to the same period in 2021 mainly due to inflation indexing on rate base in Australia which positively impacted earnings in the International Natural Gas Distribution business, Energy Infrastructure's earnings from the Alberta Hub natural gas facility acquired in December 2021, and the timing of operating costs in the Natural Gas Distribution business.

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, 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:

- Early Termination of the Master Services Agreements (MSA) for Managed IT Services
    - In the fourth quarter of 2020 and first quarter of 2021, the Company signed MSAs with IBM Canada Ltd. (subsequently novated to Kyndryl Canada Ltd.) and IBM Australia Limited (IBM), respectively, to provide managed IT services. These services were previously provided by Wipro Ltd. (Wipro) under a ten-year MSA expiring in December 2024. The Company recognized termination costs of $55 million and $4 million (after-tax) in the fourth quarter of 2020 and first quarter of 2021, respectively, which represents management's best estimate of the costs to exit the Wipro MSAs.
    - The transition of the managed IT services from Wipro to IBM commenced on February 1, 2021 and was completed by December 31, 2021. In 2021, the Company recognized transition costs of $42 million (after-tax).
- In the second quarter of 2021, impairments and other costs not in the normal course of business of $65 million (after-tax) were recorded. The Company incurred $54 million of these costs in Mexico, related mainly to its Veracruz hydro facility within its Energy Infrastructure segment. The charge reflected an adverse arbitration decision, changes in market regulations, ongoing political uncertainty, and a challenging operating environment, resulting in an impairment of the carrying value of the assets. Other costs recorded were individually immaterial.
- During the fourth quarter of 2021, the Company recorded earnings of $17 million (after-tax) following the conclusion of the Company's involvement in an international project.
- AUC Enforcement Proceeding
    - On April 14, 2022, the AUC Enforcement branch and ATCO Electric Transmission filed a settlement with the AUC regarding a sole source contract for the Jasper interconnection project. On June 29, 2022, the AUC issued its decision approving the settlement in its entirety. In the fourth quarter of 2021 and first quarter of 2022, the Company recognized costs of $14 million and $27 million (after-tax), respectively, related to the proceeding.
- Workplace COVID-19 Vaccination Standard
    - To safeguard the health and safety of employees, business partners, customers and communities, the Company required its employees, subject to certain exemptions, to be vaccinated against COVID-19 effective January 1, 2022. Employees who did not demonstrate they were vaccinated or did not have an approved exemption were provided severance. In 2022, the Company incurred $8 million (after-tax) in severance and related costs associated with the Workplace COVID-19 vaccination standard.
- Gain on sale of ownership interest in a subsidiary company
    - On March 31, 2022, the Company and Denendeh Investments Incorporated (DII) entered into a share purchase agreement to increase DII's ownership interest in Northland Utilities Enterprises Ltd. (NUE) from 14 per cent to 50 per cent. The transaction resulted in a gain on sale of $5 million (after-tax). Effective March 31, 2022, the Company no longer consolidates NUE as a controlled subsidiary, and instead, accounts for its interest in NUE as an investment in joint venture using the equity method.

OTHER FINANCIAL AND NON-GAAP MEASURES

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

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

Adjusted earnings are defined as earnings 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, 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. Adjusted earnings are 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.

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

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

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

Capital investment is a non-GAAP financial measure defined as cash used for capital expenditures, business combinations, and cash used in the Company's proportional share of capital expenditures in joint ventures. Capital expenditures includes additions to property, plant and equipment and intangibles as well as interest capitalized during construction. Capital investment is most directly comparable to capital expenditures. Capital investment is not a standardized financial measure under the reporting framework used to prepare our financial statements. Capital investment may not be comparable to similar financial measures disclosed by other issuers. Management views capital investment as the Company's total cash investment in assets. For investors, capital investment is useful because it identifies how much cash is being used to acquire and invest in assets. 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, 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. Additional information regarding this measure is provided in the Other Financial and Non-GAAP Measures section of this MD&A.

($ millions)					**Three Months Ended September 30**
2022 2021	**Utilities**	**Energy Infrastructure**	**Corporate & Other**	**Intersegment Eliminations**	**Consolidated**
Revenues	**721**	**67**	**120**	**(10)**	**898**
	679	44	79	(12)	790
Adjusted earnings (loss)	**135**	**12**	**(27)**	**—**	**120**
	104	7	(23)	—	88
Unrealized losses on mark-to-market forward and swap commodity contracts	**—**	**—**	**(17)**	**—**	**(17)**
	—	(2)	(11)	—	(13)
Rate-regulated activities	**(9)**	**—**	**(1)**	**—**	**(10)**
	(10)	—	—	—	(10)
IT Common Matters decision	**(4)**	**—**	**—**	**—**	**(4)**
	(3)	—	—	—	(3)
Transition of managed IT services	**—**	**—**	**—**	**—**	**—**
	(7)	—	—	—	(7)
Dividends on equity preferred shares of Canadian Utilities Limited	**—**	**—**	**20**	**—**	**20**
	—	—	16	—	16
Earnings (loss) attributable to equity owners of the Company	**122**	**12**	**(25)**	**—**	**109**
	84	5	(18)	—	71

($ millions) 2022 / 2021	Utilities	Energy Infrastructure	Corporate & Other	Intersegment Eliminations	Consolidated
					Nine Months Ended September 30
Revenues	**2,482**	**218**	**292**	**(51)**	**2,941**
	2,157	135	248	(53)	2,487
Adjusted earnings (loss)	**525**	**30**	**(80)**	**—**	**475**
	429	24	(59)	—	394
Impairments and other costs	**—**	**—**	**—**	**—**	**—**
	—	(64)	(1)	—	(65)
Unrealized losses on mark-to-market forward and swap commodity contract	**—**	**—**	**(48)**	**—**	**(48)**
	—	(2)	(23)	—	(25)
Rate-regulated activities	**46**	**—**	**—**	**—**	**46**
	(91)	—	—	—	(91)
IT Common Matters decision	**(11)**	**—**	**—**	**—**	**(11)**
	(10)	—	—	—	(10)
Transition of managed IT services	**—**	**—**	**—**	**—**	**—**
	(31)	(1)	(2)	—	(34)
Dividends on equity preferred shares of Canadian Utilities Limited	**—**	**—**	**55**	**—**	**55**
	2	—	47	—	49
AUC enforcement proceeding	**(27)**	**—**	**—**	**—**	**(27)**
	—	—	—	—	—
Workplace COVID-19 vaccination standard	**(8)**	**—**	**—**	**—**	**(8)**
	—	—	—	—	—
Gain on sale of ownership interest in a subsidiary company	**5**	**—**	**—**	**—**	**5**
	—	—	—	—	—
Other	**—**	**—**	**—**	**—**	**—**
	—	(1)	—	—	(1)
Earnings (loss) attributable to equity owners of the Company	**530**	**30**	**(73)**	**—**	**487**
	299	(44)	(38)	—	217

IMPAIRMENTS AND OTHER COSTS

In the second quarter of 2021, impairments and other costs not in the normal course of business of $65 million (after-tax) were recorded. The Company incurred $54 million of these costs in Mexico, related mainly to its Veracruz hydro facility within its Energy Infrastructure segment. The charge reflected an adverse arbitration decision, changes in market regulations, ongoing political uncertainty, and a challenging operating environment, resulting in an impairment of the carrying value of the assets. Other costs recorded were individually immaterial.

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

Electricity Distribution and Transmission and their subsidiary, ATCO Electric Yukon, and their investment in joint venture, Northland Utilities, 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.

For the three months and nine months ended September 30, 2022, the significant timing adjustments as a result of the differences between rate-regulated accounting and IFRS are as follows:

	Three Months Ended September 30			Nine Months Ended September 30		
($ millions)	**2022**	**2021**	**Change**	**2022**	**2021**	**Change**
Additional revenues billed in current period						
Future removal and site restoration costs [(1)]	**29**	27	2	**91**	85	6
Revenues to be billed in future periods						
Deferred income taxes [(2)]	**(18)**	(18)	—	**(65)**	(73)	8
Distribution rate relief [(3)]	**—**	(20)	20	**—**	(95)	95
Impact of warmer temperatures [(4)]	**(6)**	(4)	(2)	**(8)**	(5)	(3)
Impact of inflation on rate base [(5)]	**(21)**	(4)	(17)	**(42)**	(14)	(28)
Settlement of regulatory decisions and other items						
Distribution rate relief [(3)]	**19**	—	19	**84**	—	84
Other	**(13)**	9	(22)	**(14)**	11	(25)
	(10)	(10)	—	**46**	(91)	137

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

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

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

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

(5) *The inflation-indexed portion of International Natural Gas Distribution's rate base is billed to customers through the recovery of depreciation in subsequent years based on the actual or forecasted annual rate of inflation. Under rate-regulated accounting, revenue is recognized in the current year 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.*

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

TRANSITION OF MANAGED IT SERVICES

In the fourth quarter of 2020 and first quarter of 2021, the Company signed MSAs with IBM Canada Ltd. (subsequently novated to Kyndryl Canada Ltd.) and IBM Australia Limited, respectively, 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 was completed by December 31, 2021. The amount excluded from adjusted earnings for the three month and nine months ended September 30, 2022 was $nil (2021 - $7 million and $34 million after-tax).

AUC ENFORCEMENT PROCEEDING

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

WORKPLACE COVID-19 VACCINATION STANDARD

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

GAIN ON SALE OF OWNERSHIP INTEREST IN A SUBSIDIARY COMPANY

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

UTILITIES

The following tables reconcile adjusted earnings for the Utilities business unit to the directly comparable financial measure, earnings attributable to equity owners of the Company.

($ millions)

Three Months Ended September 30

2022 2021	Canadian Utilities Limited								
	Electricity				Natural Gas				Utilities
	Electric Distribution	Electric Transmission	International Electricity	Consolidated Electricity	Natural Gas Distribution	Natural Gas Transmission	International Natural Gas	Consolidated Natural Gas	
Adjusted earnings (loss)	**41**	**41**	**17**	**99**	**(16)**	**22**	**30**	**36**	**135**
	35	38	14	87	(18)	21	14	17	104
Rate-regulated activities	**(8)**	**5**	**—**	**(3)**	**15**	**(3)**	**(18)**	**(6)**	**(9)**
	(4)	(1)	—	(5)	5	(8)	(2)	(5)	(10)
IT Common Matters decision	**(1)**	**(2)**	**—**	**(3)**	**(1)**	**—**	**—**	**(1)**	**(4)**
	(1)	(1)	—	(2)	—	(1)	—	(1)	(3)
Transition of managed IT services	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	(2)	—	—	(2)	(4)	—	(1)	(5)	(7)
Earnings (loss) attributable to equity owners of the Company	**32**	**44**	**17**	**93**	**(2)**	**19**	**12**	**29**	**122**
	28	36	14	78	(17)	12	11	6	84

($ millions)	Canadian Utilities Limited								Nine Months Ended September 30
2022 / 2021	Electricity				Natural Gas				Utilities
	Electric Distribution	Electric Transmission	International Electricity	Consolidated Electricity	Natural Gas Distribution	Natural Gas Transmission	International Natural Gas	Consolidated Natural Gas	
Adjusted earnings	**128**	**128**	**39**	**295**	**95**	**68**	**67**	**230**	**525**
	114	117	28	259	70	61	39	170	429
Rate-regulated activities	**(7)**	**26**	**—**	**19**	**72**	**(4)**	**(41)**	**27**	**46**
	(52)	12	—	(40)	(23)	(15)	(13)	(51)	(91)
IT Common Matters decision	**(3)**	**(4)**	**—**	**(7)**	**(3)**	**(1)**	**—**	**(4)**	**(11)**
	(3)	(3)	—	(6)	(2)	(2)	—	(4)	(10)
Transition of managed IT services	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	(8)	(3)	—	(11)	(13)	(2)	(5)	(20)	(31)
Dividends on equity preferred shares of the Company	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	—	1	—	1	—	1	—	1	2
AUC enforcement proceeding	**—**	**(27)**	**—**	**(27)**	**—**	**—**	**—**	**—**	**(27)**
	—	—	—	—	—	—	—	—	—
Workplace COVID-19 vaccination standard	**(2)**	**(1)**	**—**	**(3)**	**(3)**	**(2)**	**—**	**(5)**	**(8)**
	—	—	—	—	—	—	—	—	—
Gain on sale of ownership interest in a subsidiary company	**5**	**—**	**—**	**5**	**—**	**—**	**—**	**—**	**5**
	—	—	—	—	—	—	—	—	—
Earnings attributable to equity owners of the Company	**121**	**122**	**39**	**282**	**161**	**61**	**26**	**248**	**530**
	51	124	28	203	32	43	21	96	299

ENERGY INFRASTRUCTURE

The following tables reconcile adjusted earnings for the Energy Infrastructure business unit to the directly comparable financial measure, earnings attributable to equity owners of the Company.

($ millions)			Three Months Ended September 30
2022 / 2021	Canadian Utilities Limited		
	Electricity Generation	Storage & Industrial Water	Energy Infrastructure
Adjusted earnings	**1**	**11**	**12**
	5	2	7
Unrealized losses on mark-to-market forward and swap commodity contract	**—**	**—**	**—**
	—	(2)	(2)
Earnings attributable to equity owners of the Company	**1**	**11**	**12**
	5	—	5

($ millions)			Nine Months Ended September 30
2022 / 2021	Canadian Utilities Limited		
	Electricity Generation	Storage & Industrial Water	Energy Infrastructure
Adjusted earnings	**7**	**23**	**30**
	13	11	24
Impairments and other costs	**—**	**—**	**—**
	(63)	(1)	(64)
Unrealized losses on mark-to-market forward and swap commodity contract	**—**	**—**	**—**
	—	(2)	(2)
Transition of managed IT services	**—**	**—**	**—**
	(1)	—	(1)
Other	**—**	**—**	**—**
	(1)	—	(1)
Earnings (loss) attributable to equity owners of the Company	**7**	**23**	**30**
	(52)	8	(44)

RECONCILIATION OF CAPITAL INVESTMENT TO CAPITAL EXPENDITURES

Capital investment is a non-GAAP financial measure 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. Additional information regarding this non-GAAP measure is provided in the Other Financial and Non-GAAP Measures section of this MD&A.

($ millions)				**Three Months Ended September 30**
2022 2021	**Utilities**	**Energy Infrastructure**	**CUL Corporate & Other**	**Consolidated**
Capital Investment	**295**	**81**	**3**	**379**
	217	33	2	252
Capital Expenditure in joint ventures	**(2)**	**(3)**	**—**	**(5)**
	(3)	(2)	—	(5)
Capital Expenditures	**293**	**78**	**3**	**374**
	214	31	2	247

($ millions)				**Nine Months Ended September 30**
2022 2021	**Utilities**	**Energy Infrastructure**	**CUL Corporate & Other**	**Consolidated**
Capital Investment	**757**	**176**	**8**	**941**
	849	56	7	912
Capital Expenditure in joint ventures	**(4)**	**(6)**	**—**	**(10)**
	(3)	(16)	—	(19)
Capital Expenditures	**753**	**170**	**8**	**931**
	846	40	7	893

OTHER FINANCIAL INFORMATION

INTERNAL CONTROL OVER FINANCIAL REPORTING

There was no change in the Company’s internal control over financial reporting that occurred during the period beginning on July 1, 2022, and ended on September 30, 2022, that materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

FORWARD-LOOKING INFORMATION

Certain statements contained in this MD&A constitute forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as "anticipate", "plan", "estimate", "expect", "may", "will", "intend", "aim", "should", "goals", "targets", "strategy", "future", and similar expressions. In particular, forward-looking information in this MD&A includes, but is not limited to, references to: strategic plans and targets; the expected timing and/or impact of contracts that have been secured or awarded; plans to grow dividends in-line with sustainable earnings growth; the development of a 325-MW pumped hydro project in New South Wales, Australia, and the expected timing for the final investment decision in respect of the construction of that project; the acquisition of a portfolio of wind and solar assets from Suncor Energy Inc. and the timing for the closing of that transaction; the expected future electricity generation capacity of the wind and solar projects that will be acquired or developed; the expected timing for the commencement of operations of the new 202-MW Forty Mile wind project; the expectation that the renewables projects acquired from Suncor will be earnings and cash flow accretive in the first year of operations; ESG targets, including the commitment to achieve net zero GHG emissions by 2050, the 2030 ESG targets, and the goal of owning more than 1,000-MW of renewable energy by 2030.

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

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

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

ADDITIONAL INFORMATION

Canadian Utilities has published its unaudited interim consolidated financial statements and MD&A for the nine months ended September 30, 2022. Copies of these documents may be obtained upon request from Investor Relations at 3rd Floor, West Building, 5302 Forand Street S.W., Calgary, Alberta, T3E 8B4, telephone 403-292-7500, or email investorrelations@atco.com.

GLOSSARY

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

AUC means the Alberta Utilities Commission.

AUD means Australian dollars.

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

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.

DRIP means Dividend Reinvestment Plan.

ESG means Environmental, Social and Governance.

GAAP means Canadian generally accepted accounting principles.

GHG means greenhouse gas.

IFRS means International Financial Reporting Standards.

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

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

USD means United States dollars.

CANADIAN UTILITIES LIMITED
An ATCO Company

CANADIAN UTILITIES LIMITED

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022

TABLE OF CONTENTS

CONSOLIDATED STATEMENTS OF EARNINGS

		Three Months Ended September 30		Nine Months Ended September 30	
(millions of Canadian Dollars except per share data)	**Note**	**2022**	**2021**	**2022**	**2021**
Revenues	4	**898**	790	**2,941**	2,487
Costs and expenses					
Salaries, wages and benefits		**(89)**	(90)	**(273)**	(266)
Energy transmission and transportation		**(68)**	(68)	**(202)**	(198)
Plant and equipment maintenance		**(62)**	(55)	**(151)**	(136)
Fuel costs		**(25)**	(20)	**(120)**	(70)
Purchased power		**(87)**	(72)	**(221)**	(218)
Depreciation, amortization and impairment		**(155)**	(151)	**(468)**	(513)
Franchise fees		**(55)**	(48)	**(244)**	(187)
Property and other taxes		**(17)**	(17)	**(53)**	(52)
Other		**(129)**	(98)	**(336)**	(302)
		(687)	(619)	**(2,068)**	(1,942)
Earnings from investment in joint ventures		**21**	18	**54**	36
Operating profit		**232**	189	**927**	581
Interest income		**12**	2	**21**	8
Interest expense		**(102)**	(99)	**(300)**	(298)
Net finance costs		**(90)**	(97)	**(279)**	(290)
Earnings before income taxes		**142**	92	**648**	291
Income tax expense		**(32)**	(19)	**(156)**	(69)
Earnings for the period		**110**	73	**492**	222
Earnings attributable to:					
Equity owners of the Company		**109**	71	**487**	217
Non-controlling interests		**1**	2	**5**	5
		110	73	**492**	222
Earnings per Class A and Class B share	5	**$0.33**	$0.20	**$1.61**	$0.62
Diluted earnings per Class A and Class B share	5	**$0.32**	$0.20	**$1.60**	$0.62

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Three Months Ended September 30		Nine Months Ended September 30	
(millions of Canadian Dollars)	**Note**	**2022**	**2021**	**2022**	**2021**
Earnings for the period		**110**	73	**492**	222
Other comprehensive income, net of income taxes					
Items that will not be reclassified to earnings:					
Re-measurement of retirement benefits [1]	11	**(7)**	21	**(1)**	187
Items that are or may be reclassified subsequently to earnings:					
Cash flow hedges [2]		**39**	31	**99**	57
Foreign currency translation adjustment [3]		**(3)**	(1)	**(20)**	(45)
Share of other comprehensive income of joint ventures [3]		**1**	–	**1**	–
		37	30	**80**	12
Other comprehensive income		**30**	51	**79**	199
Comprehensive income for the period		**140**	124	**571**	421
Comprehensive income attributable to:					
Equity owners of the Company		**139**	122	**566**	416
Non-controlling interests		**1**	2	**5**	5
		140	124	**571**	421

(1) Net of income taxes of $2 million and nil million for the three and nine months ended September 30, 2022 (2021 - $(6) million and $(56) million).

(2) Net of income taxes of $(13) million and $(34) million for the three and nine months ended September 30, 2022 (2021 - $(10) million and $(18) million).

(3) Net of income taxes of nil.

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 and cash equivalents		**911**	753
Accounts receivable and contract assets		**607**	759
Finance lease receivables		**10**	10
Inventories		**26**	21
Prepaid expenses and other current assets		**212**	188
		1,766	1,731
Non-current assets			
Property, plant and equipment	6	**18,303**	18,008
Intangibles		**791**	726
Retirement benefit asset	11	**21**	87
Right-of-use assets		**51**	51
Investment in joint ventures	3	**242**	204
Finance lease receivables		**138**	149
Deferred income tax assets		**20**	33
Other assets		**198**	86
Total assets		**21,530**	21,075
LIABILITIES			
Current liabilities			
Bank indebtedness		**–**	3
Accounts payable and accrued liabilities		**664**	739
Lease liabilities		**7**	7
Provisions and other current liabilities		**177**	132
Short-term debt	7	**19**	206
Long-term debt	8	**306**	331
		1,173	1,418
Non-current liabilities			
Deferred income tax liabilities		**1,741**	1,588
Retirement benefit obligations	11	**202**	268
Customer contributions		**1,965**	1,870
Lease liabilities		**45**	44
Other liabilities		**105**	88
Long-term debt	8	**9,311**	8,977
Total liabilities		**14,542**	14,253
EQUITY			
Equity preferred shares		**1,571**	1,571
Class A and Class B share owners' equity			
Class A and Class B shares	10	**1,230**	1,216
Contributed surplus		**9**	8
Retained earnings		**3,933**	3,862
Accumulated other comprehensive income (loss)		**58**	(22)
Total equity attributable to equity owners of the Company		**6,801**	6,635
Non-controlling interests		**187**	187
Total equity		**6,988**	6,822
Total liabilities and equity		**21,530**	21,075

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Attributable to Equity Owners of the Company							
(millions of Canadian Dollars)	Note	Class A and Class B Shares	Equity Preferred Shares	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total	Non-Controlling Interests	Total Equity
December 31, 2020		1,232	1,483	8	3,928	(30)	6,621	187	6,808
Earnings for the period		–	–	–	217	–	217	5	222
Other comprehensive income		–	–	–	–	199	199	–	199
Gains on retirement benefits transferred to retained earnings		–	–	–	187	(187)	–	–	–
Shares redeemed	10	(20)	(110)	–	(99)	–	(229)	–	(229)
Dividends	9,10	–	–	–	(406)	–	(406)	(5)	(411)
Share-based compensation		2	–	–	–	–	2	–	2
September 30, 2021		1,214	1,373	8	3,827	(18)	6,404	187	6,591
December 31, 2021		1,216	1,571	8	3,862	(22)	6,635	187	6,822
Earnings for the period		–	–	–	**487**	–	**487**	**5**	**492**
Other comprehensive income		–	–	–	–	**79**	**79**	–	**79**
Losses on retirement benefits transferred to retained earnings		–	–	–	**(1)**	**1**	–	–	–
Shares issued	10	**13**	–	–	–	–	**13**	–	**13**
Dividends	9,10	–	–	–	**(414)**	–	**(414)**	**(5)**	**(419)**
Share-based compensation		**1**	–	–	–	–	**1**	–	**1**
Other		–	–	**1**	**(1)**	–	–	–	–
September 30, 2022		**1,230**	**1,571**	**9**	**3,933**	**58**	**6,801**	**187**	**6,988**

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		**110**	73	**492**	222
Adjustments to reconcile earnings to cash flows from operating activities	12	**323**	279	**1,054**	935
Changes in non-cash working capital		**(53)**	(32)	**(14)**	51
Cash flows from operating activities		**380**	320	**1,532**	1,208
Investing activities					
Additions to property, plant and equipment		**(334)**	(193)	**(819)**	(768)
Proceeds on disposal of property, plant and equipment		**–**	–	**–**	30
Additions to intangibles		**(35)**	(51)	**(102)**	(116)
Proceeds on sale of ownership interest in a subsidiary company, net of cash disposed	3	**–**	–	**8**	–
Investment in joint ventures		**(4)**	(9)	**(8)**	(21)
Changes in non-cash working capital		**43**	18	**47**	8
Other	6	**1**	1	**59**	(67)
Cash flows used in investing activities		**(329)**	(234)	**(815)**	(934)
Financing activities					
Net repayment of short-term debt	7	**(216)**	–	**(187)**	–
Issue of long-term debt	8	**210**	460	**460**	460
Repayment of long-term debt	8	**–**	–	**(128)**	(4)
Redemption of equity preferred shares	9	**–**	(110)	**–**	(110)
Repayment of lease liabilities		**(2)**	(3)	**(6)**	(8)
Issue (purchase) of Class A shares		**–**	–	**1**	(119)
Dividends paid on equity preferred shares		**(20)**	(16)	**(55)**	(49)
Dividends paid to non-controlling interests		**(1)**	(2)	**(5)**	(5)
Dividends paid to Class A and Class B share owners		**(115)**	(117)	**(347)**	(357)
Interest paid		**(91)**	(81)	**(285)**	(273)
Other		**(1)**	(6)	**(4)**	(6)
Cash flows (used in) from financing activities		**(236)**	125	**(556)**	(471)
(Decrease) increase in cash position [1]		**(185)**	211	**161**	(197)
Foreign currency translation		**–**	3	**–**	(2)
Beginning of period		**1,096**	365	**750**	778
End of period	12	**911**	579	**911**	579

(1) Cash position includes $14 million which is not available for general use by the Company (2021 - $10 million).

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

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 and whole-home solutions) (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, 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 & Risk 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 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.

3. SEGMENTED INFORMATION

SEGMENTED RESULTS

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

2022 2021	Utilities Electricity	 Natural Gas	 Eliminations	 Total	Energy Infrastructure	Corporate & Other	Intersegment eliminations	Consolidated
Revenues - external	**362**	**355**	**–**	**717**	**63**	**118**	**–**	**898**
	347	332	–	679	41	70	–	790
Revenues - intersegment	**4**	**2**	**(2)**	**4**	**4**	**2**	**(10)**	**–**
	1	1	(2)	–	3	9	(12)	–
Revenues	**366**	**357**	**(2)**	**721**	**67**	**120**	**(10)**	**898**
	348	333	(2)	679	44	79	(12)	790
Operating expenses (1)	**(134)**	**(213)**	**2**	**(345)**	**(48)**	**(149)**	**10**	**(532)**
	(131)	(217)	2	(346)	(33)	(101)	12	(468)
Depreciation and amortization	**(76)**	**(71)**	**–**	**(147)**	**(4)**	**(4)**	**–**	**(155)**
	(75)	(69)	–	(144)	(7)	–	–	(151)
Earnings from investment in joint ventures	**18**	**–**	**–**	**18**	**3**	**–**	**–**	**21**
	14	–	–	14	4	–	–	18
Net finance costs	**(54)**	**(36)**	**–**	**(90)**	**(3)**	**3**	**–**	**(90)**
	(57)	(36)	–	(93)	(3)	(1)	–	(97)
Earnings (loss) before income taxes	**120**	**37**	**–**	**157**	**15**	**(30)**	**–**	**142**
	99	11	–	110	5	(23)	–	92
Income tax (expense) recovery	**(26)**	**(8)**	**–**	**(34)**	**(3)**	**5**	**–**	**(32)**
	(20)	(4)	–	(24)	–	5	–	(19)
Earnings (loss) for the period	**94**	**29**	**–**	**123**	**12**	**(25)**	**–**	**110**
	79	7	–	86	5	(18)	–	73
Adjusted earnings (loss)	**99**	**36**	**–**	**135**	**12**	**(27)**	**–**	**120**
	87	17	–	104	7	(23)	–	88
Capital expenditures (3)	**136**	**157**	**–**	**293**	**78**	**3**	**–**	**374**
	84	130	–	214	31	2	–	247

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

2022 2021	Utilities							
	Electricity	Natural Gas	Eliminations	Total	Energy Infrastructure	Corporate & Other	Intersegment eliminations	Consolidated
Revenues - external	**1,121**	**1,351**	–	**2,472**	**172**	**297**	–	**2,941**
	1,019	1,132	–	2,151	111	225	–	2,487
Revenues - intersegment	**9**	**5**	**(4)**	**10**	**46**	**(5)**	**(51)**	–
	7	3	(4)	6	24	23	(53)	–
Revenues	**1,130**	**1,356**	**(4)**	**2,482**	**218**	**292**	**(51)**	**2,941**
	1,026	1,135	(4)	2,157	135	248	(53)	2,487
Operating expenses [(1)]	**(403)**	**(707)**	**4**	**(1,106)**	**(172)**	**(373)**	**51**	**(1,600)**
	(394)	(689)	4	(1,079)	(118)	(285)	53	(1,429)
Depreciation, amortization and impairment	**(233)**	**(213)**	–	**(446)**	**(12)**	**(10)**	–	**(468)**
	(232)	(206)	–	(438)	(69)	(6)	–	(513)
Earnings from investment in joint ventures	**42**	–	–	**42**	**12**	–	–	**54**
	30	–	–	30	6	–	–	36
Net finance costs	**(166)**	**(108)**	–	**(274)**	**(7)**	**2**	–	**(279)**
	(169)	(110)	–	(279)	(8)	(3)	–	(290)
Earnings (loss) before income taxes	**370**	**328**	–	**698**	**39**	**(89)**	–	**648**
	261	130	–	391	(54)	(46)	–	291
Income tax (expense) recovery	**(85)**	**(78)**	–	**(163)**	**(9)**	**16**	–	**(156)**
	(55)	(32)	–	(87)	10	8	–	(69)
Earnings (loss) for the period	**285**	**250**	–	**535**	**30**	**(73)**	–	**492**
	206	98	–	304	(44)	(38)	–	222
Adjusted earnings (loss)	**295**	**230**	–	**525**	**30**	**(80)**	–	**475**
	259	170	–	429	24	(59)	–	394
Total assets [(2)]	**10,554**	**8,511**	**(1)**	**19,064**	**1,251**	**1,407**	**(192)**	**21,530**
	10,405	8,581	(2)	18,984	1,194	1,103	(206)	21,075
Capital expenditures [(3)]	**367**	**386**	–	**753**	**170**	**8**	–	**931**
	258	588	–	846	40	7	–	893

(1) Includes total costs and expenses, excluding depreciation, amortization and impairment expense.
(2) 2021 comparatives are at December 31, 2021.
(3) Includes additions to property, plant and equipment, intangibles and $5 million and $10 million of interest capitalized during construction for the three and nine months ended September 30, 2022 (2021 - $3 million and $9 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;
- 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	**Utilities**					
2021	**Electricity**	**Natural Gas**	**Total**	**Energy Infrastructure**	**Corporate & Other**	**Consolidated**
Adjusted earnings (loss)	**99**	**36**	**135**	**12**	**(27)**	**120**
	87	17	104	7	(23)	88
Transition of managed IT services	**–**	**–**	**–**	**–**	**–**	**–**
	(2)	(5)	(7)	–	–	(7)
Unrealized losses on mark-to-market forward and swap commodity contracts	**–**	**–**	**–**	**–**	**(17)**	**(17)**
	–	–	–	(2)	(11)	(13)
Rate-regulated activities	**(3)**	**(6)**	**(9)**	**–**	**(1)**	**(10)**
	(5)	(5)	(10)	–	–	(10)
IT Common Matters decision	**(3)**	**(1)**	**(4)**	**–**	**–**	**(4)**
	(2)	(1)	(3)	–	–	(3)
Dividends on equity preferred shares of Canadian Utilities Limited	**–**	**–**	**–**	**–**	**20**	**20**
	–	–	–	–	16	16
Earnings (loss) attributable to equity owners of the Company	**93**	**29**	**122**	**12**	**(25)**	**109**
	78	6	84	5	(18)	71
Earnings attributable to non-controlling interests						**1**
						2
Earnings for the period						**110**
						73

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

2022	**Utilities**					
2021	**Electricity**	**Natural Gas**	**Total**	**Energy Infrastructure**	**Corporate & Other**	**Consolidated**
Adjusted earnings (loss)	**295**	**230**	**525**	**30**	**(80)**	**475**
	259	170	429	24	(59)	394
AUC enforcement proceeding	**(27)**	–	**(27)**	–	–	**(27)**
	–	–	–	–	–	–
Workplace COVID-19 vaccination standard	**(3)**	**(5)**	**(8)**	–	–	**(8)**
	–	–	–	–	–	–
Gain on sale of ownership interest in a subsidiary company	**5**	–	**5**	–	–	**5**
	–	–	–	–	–	–
Transition of managed IT services	–	–	–	–	–	–
	(11)	(20)	(31)	(1)	(2)	(34)
Impairment and other costs	–	–	–	–	–	–
	–	–	–	(64)	(1)	(65)
Unrealized losses on mark-to-market forward and swap commodity contracts	–	–	–	–	**(48)**	**(48)**
	–	–	–	(2)	(23)	(25)
Rate-regulated activities	**19**	**27**	**46**	–	–	**46**
	(40)	(51)	(91)	–	–	(91)
IT Common Matters decision	**(7)**	**(4)**	**(11)**	–	–	**(11)**
	(6)	(4)	(10)	–	–	(10)
Dividends on equity preferred shares of Canadian Utilities Limited	–	–	–	–	**55**	**55**
	1	1	2	–	47	49
Other	–	–	–	–	–	–
	–	–	–	(1)	–	(1)
Earnings (loss) attributable to equity owners of the Company	**282**	**248**	**530**	**30**	**(73)**	**487**
	203	96	299	(44)	(38)	217
Earnings attributable to non-controlling interests						**5**
						5
Earnings for the period						**492**
						222

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, and in the first quarter of 2021, the Company signed Master Services Agreements (MSA) with IBM Canada Ltd. (subsequently novated to Kyndryl Canada Ltd.) and IBM Australia Limited (IBM), respectively, 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.

In 2020, and during the first quarter of 2021, the Company recognized onerous contract provisions of $71 million ($55 million after-tax) and $6 million ($4 million 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 onerous contract provision is not in the normal course of business and has been excluded from adjusted earnings.

In addition, for the three and nine months ended September 30, 2021, the Company recognized transition costs of $10 million and $39 million ($7 million and $30 million after-tax), respectively. 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.

Impairment and other costs

In the second quarter of 2021, impairments and other costs not in the normal course of business of $65 million after-tax were recorded, mainly in Mexico, related to Energy Infrastructure's Veracruz hydro facility in the amount of $54 million after-tax. Other costs recorded were individually immaterial.

The charge reflects an adverse arbitration decision, changes in market regulations, ongoing political uncertainty, and challenging operating environment, resulting in an impairment of the carrying value of the assets.

The recoverable amount of Energy Infrastructure's Veracruz hydro facility was determined based on fair value less costs of disposal. The expected future cash flows were estimated under an assumption of 43 years of operations, representing the useful life of the Veracruz hydro facility, and were discounted at an after-tax rate of approximately 10 per cent. The fair value measurement is categorized as level 3 on the fair value hierarchy. As at June 30, 2021, the recoverable amount of Energy Infrastructure's Veracruz hydro facility was estimated to be $22 million.

As the charges relate to impairments, 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, ATCO Electric Yukon, Northland Utilities (NWT), Northland Utilities (Yellowknife), ATCO Gas, ATCO Pipelines and ATCO Gas Australia 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
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.

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**	27	**91**	85
Revenues to be billed in future periods				
Deferred income taxes [2]	**(18)**	(18)	**(65)**	(73)
Distribution rate relief [3]	**–**	(20)	**–**	(95)
Impact of warmer temperatures [4]	**(6)**	(4)	**(8)**	(5)
Impact of inflation on rate base [5]	**(21)**	(4)	**(42)**	(14)
Settlement of regulatory decisions and other items				
Distribution rate relief [3]	**19**	–	**84**	–
Other	**(13)**	9	**(14)**	11
	(10)	(10)	**46**	(91)

(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.

(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 years based on the actual or forecasted annual rate of inflation. Under rate-regulated accounting, revenue is recognized in the current year 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.

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 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	Utilities Electricity (1)	 Natural Gas (1)	 Total	Energy Infrastructure	Corporate & Other	Consolidated
Revenue Streams						
Rendering of Services						
Distribution services	**140**	**214**	**354**	–	–	**354**
	149	201	350	–	–	350
Transmission services	**176**	**82**	**258**	–	–	**258**
	160	76	236	–	–	236
Customer contributions	**8**	**6**	**14**	–	–	**14**
	8	6	14	–	–	14
Franchise fees	**9**	**46**	**55**	–	–	**55**
	7	41	48	–	–	48
Retail electricity and natural gas services	–	–	–	–	**113**	**113**
	–	–	–	–	73	73
Storage and industrial water	–	–	–	**19**	–	**19**
	–	–	–	4	–	4
Total rendering of services	**333**	**348**	**681**	**19**	**113**	**813**
	324	324	648	4	73	725
Sale of Goods						
Electricity generation and delivery	–	–	–	**18**	–	**18**
	–	–	–	14	–	14
Commodity sales	–	–	–	**16**	–	**16**
	–	–	–	13	–	13
Total sale of goods	–	–	–	**34**	–	**34**
	–	–	–	27	–	27
Lease income						
Finance lease	–	–	–	**4**	–	**4**
	–	–	–	4	–	4
Other	**29**	**7**	**36**	**6**	**5**	**47**
	23	8	31	6	(3)	34
Total	**362**	**355**	**717**	**63**	**118**	**898**
	347	332	679	41	70	790

(1) For the three months ended September 30, 2022, Electricity and Natural Gas segments include $117 million of unbilled revenue (2021 - $101 million).

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

2022 / 2021	Utilities Electricity (1)	Utilities Natural Gas (1)	Utilities Total	Energy Infrastructure	Corporate & Other	Consolidated
Revenue Streams						
Rendering of Services						
Distribution services	**462**	**842**	**1,304**	**–**	**–**	**1,304**
	401	703	1,104	–	–	1,104
Transmission services	**535**	**253**	**788**	**–**	**–**	**788**
	506	228	734	–	–	734
Customer contributions	**24**	**17**	**41**	**–**	**–**	**41**
	25	16	41	–	–	41
Franchise fees	**28**	**216**	**244**	**–**	**–**	**244**
	24	163	187	–	–	187
Retail electricity and natural gas services	**–**	**–**	**–**	**–**	**282**	**282**
	–	–	–	–	213	213
Storage and industrial water	**–**	**–**	**–**	**45**	**–**	**45**
	–	–	–	13	–	13
Total rendering of services	**1,049**	**1,328**	**2,377**	**45**	**282**	**2,704**
	956	1,110	2,066	13	213	2,292
Sale of Goods						
Electricity generation and delivery	**–**	**–**	**–**	**35**	**–**	**35**
	–	–	–	30	–	30
Commodity sales	**–**	**–**	**–**	**61**	**–**	**61**
	–	–	–	33	–	33
Total sale of goods	**–**	**–**	**–**	**96**	**–**	**96**
	–	–	–	63	–	63
Lease income						
Finance lease	**–**	**–**	**–**	**11**	**–**	**11**
	–	–	–	12	–	12
Other	**72**	**23**	**95**	**20**	**15**	**130**
	63	22	85	23	12	120
Total	**1,121**	**1,351**	**2,472**	**172**	**297**	**2,941**
	1,019	1,132	2,151	111	225	2,487

(1) For the nine months ended September 30, 2022, Electricity and Natural Gas segments include $115 million of unbilled revenue (2021 - $101 million). At September 30, 2022, $117 million of the unbilled revenue is included in accounts receivable and contract assets (2021 - $101 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 are as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2022	**2021**	**2022**	**2021**
Average shares				
Weighted average shares outstanding	**269,187,120**	268,869,077	**269,064,726**	270,180,877
Effect of dilutive stock options	**130,606**	44,216	**114,217**	26,153
Effect of dilutive MTIP	**432,820**	427,011	**437,602**	432,263
Weighted average dilutive shares outstanding	**269,750,546**	269,340,304	**269,616,545**	270,639,293
Earnings for earnings per share calculation				
Earnings for the period	**110**	73	**492**	222
Dividends on equity preferred shares of the Company	**(20)**	(16)	**(55)**	(49)
Dividends to non-controlling interests	**(1)**	(2)	**(5)**	(5)
Earnings attributable to Class A and B shares	**89**	55	**432**	168
Earnings and diluted earnings per Class A and Class B share				
Earnings per Class A and Class B share	**$0.33**	$0.20	**$1.61**	$0.62
Diluted earnings per Class A and Class B share	**$0.32**	$0.20	**$1.60**	$0.62

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	Energy Infrastructure	Land and Buildings	Construction Work-in-Progress	Other	Total
Cost						
December 31, 2021	21,771	500	756	431	809	24,267
Additions	**23**	**1**	–	**810**	**2**	**836**
Transfers	**338**	**29**	**4**	**(387)**	**16**	–
Retirements and disposals	**(64)**	–	**(2)**	–	**(23)**	**(89)**
Sale of ownership interest in a subsidiary company (*Note 3*)	**(111)**	–	**(8)**	**(2)**	**(5)**	**(126)**
Foreign exchange rate adjustment	**(51)**	**7**	**(1)**	**(1)**	**(1)**	**(47)**
Changes to asset retirement costs	–	**(2)**	–	–	–	**(2)**
September 30, 2022	**21,906**	**535**	**749**	**851**	**798**	**24,839**
Accumulated depreciation						
December 31, 2021	5,478	184	183	–	414	6,259
Depreciation	**373**	**8**	**13**	–	**38**	**432**
Retirements and disposals	**(64)**	–	**(2)**	–	**(23)**	**(89)**
Sale of ownership interest in a subsidiary company (Note 3)	**(52)**	–	**(3)**	–	**(2)**	**(57)**
Foreign exchange rate adjustment	**(11)**	**2**	–	–	–	**(9)**
September 30, 2022	**5,724**	**194**	**191**	–	**427**	**6,536**
Net book value						
December 31, 2021	16,293	316	573	431	395	18,008
September 30, 2022	**16,182**	**341**	**558**	**851**	**371**	**18,303**

The additions to property, plant and equipment included $6 million of interest capitalized during construction for the nine months ended September 30, 2022 (2021 - $9 million).

PIONEER NATURAL GAS PIPELINE

On February 25, 2022, ATCO Gas and Pipelines Ltd., a wholly owned subsidiary of CU Inc., 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.

7. 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).

8. LONG-TERM DEBT

On June 3, 2022, the Company issued $250 million of 4.851 per cent debentures maturing on June 3, 2052.

On September 7, 2022, CU Inc., a wholly owned subsidiary of the Company, issued $210 million of 4.773 per cent debentures maturing on September 14, 2052, and on April 1, 2022, CU Inc. repaid $125 million of 9.92 per cent debentures.

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

9. EQUITY PREFERRED SHARES

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**
Perpetual Cumulative Second Preferred Shares				
4.60% Series V	–	0.1706	–	0.7456
Cumulative Redeemable Second Preferred Shares				
5.20% Series Y (1)	**0.3250**	0.2127	**0.7504**	0.6381
4.90% Series AA	**0.3063**	0.3063	**0.9188**	0.9188
4.90% Series BB	**0.3063**	0.3063	**0.9188**	0.9188
4.50% Series CC	**0.2813**	0.2813	**0.8438**	0.8438
4.50% Series DD	**0.2813**	0.2813	**0.8438**	0.8438
5.25% Series EE	**0.3281**	0.3281	**0.9844**	0.9844
4.50% Series FF	**0.2813**	0.2813	**0.8438**	0.8438
4.75% Series HH (2)	**0.2969**	–	**0.8605**	–

(1) Effective June 1, 2022, the annual dividend rate for the Series Y Preferred Shares was reset to 5.20 per cent for the next five years. Prior to June 1, 2022, the annual dividend rate was 3.403 per cent.

(2) The 4.75 per cent Series HH Preferred Shares were issued in December 2021.

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 $0.32500 per Series Y Preferred Share, $0.30625 per Series AA and Series BB Preferred Share, $0.28125 per Series CC, Series DD, and Series FF Preferred Share, $0.328125 per Series EE Preferred Share and $0.296875 per Series HH Preferred Share.

REDEMPTION OF EQUITY PREFERRED SHARES

On August 27, 2021, the Company redeemed all of the issued 4.60 per cent Series V Preferred Shares for $110 million plus accrued dividends.

10. CLASS A AND CLASS B SHARES

At September 30, 2022, there were 197,811,749 (December 31, 2021 - 196,958,847) Class A shares and 71,890,429 (December 31, 2021 - 72,388,274) Class B shares outstanding. In addition, there were 1,857,680 options to purchase Class A shares outstanding at September 30, 2022, under the Company's stock option plan (December 31, 2021 - 1,524,750).

DIVIDENDS

The Company declared and paid cash dividends of $0.4442 and $1.3326 per Class A and Class B share during the three and nine months ended September 30, 2022 (2021 - $0.4398 and $1.3194). 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 October 13, 2022, the Company declared a fourth quarter dividend of $0.4442 per Class A and Class B share.

DIVIDEND REINVESTMENT PROGRAM

On January 13, 2022, the Company reinstated its dividend reinvestment program (DRIP) for eligible Class A and Class B share owners who are enrolled in the program. The DRIP was previously suspended effective January 10, 2019.

The DRIP allows eligible Class A and Class B share owners of the Company to reinvest all or a specified portion of their dividends in additional Class A shares.

The Class A shares are issued from treasury at a two per cent discount to the volume weighted average price of the Class A shares traded on the Toronto Stock Exchange during the last five qualifying trading days preceding the dividend payment date.

During the three and nine months ended September 30, 2022, 114,285 and 325,157 Class A shares were issued under the DRIP, using re-invested dividends of $4 million and $12 million. The shares were priced at an average of $40.03 and $38.07 per share, respectively.

NORMAL COURSE ISSUER BID

On July 29, 2021, the Company began a normal course issuer bid, to purchase up to 3,930,623 outstanding Class A shares. The bid expired on July 28, 2022.

No shares were purchased during the nine months ended September 30, 2022 (2021 - 3,576,004 Class A shares were purchased for $119 million, resulting in a decrease to share capital of $20 million and a decrease to retained earnings of $99 million).

11. RETIREMENT BENEFITS

At September 30, 2022, the discount rate assumption which is used to measure the accrued benefit obligations increased to 5.13 per cent from 3.16 per cent at December 31, 2021. The discount rate assumption was based on market interest rates of high quality bonds that match the timing and amount of expected benefit payments.

At September 30, 2022, following the re-measurement of the accrued benefit obligations and related plan assets, the funded status (market value of assets less accrued benefit obligations) was a net deficit of $181 million (December 31, 2021 - $181 million). The deficit of $181 million is net of a retirement benefit asset of $21 million related to Retirement Plan for Employees of Canadian Utilities Limited and Participating Companies (CU Plan).

The retirement benefit asset of the CU Plan has been measured at the lower of the funded surplus ($182 million) and the asset ceiling ($21 million). The key assumption used to determine the asset ceiling amount is a discount factor of 5.13 per cent.

At September 30, 2022, the Company recognized a retirement benefit asset of $21 million and retirement benefit liability of $202 million (December 31, 2021 - $87 million and $268 million).

12. 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, amortization and impairment	**155**	151	**468**	513
Dividends and distributions received from investment in joint ventures	**4**	4	**41**	16
Earnings from investment in joint ventures	**(21)**	(18)	**(54)**	(36)
Income tax expense	**32**	19	**156**	69
Unrealized losses on derivative financial instruments	**21**	17	**61**	32
Contributions by customers for extensions to plant	**44**	24	**152**	131
Amortization of customer contributions	**(14)**	(14)	**(41)**	(41)
Net finance costs	**90**	97	**279**	290
Income taxes paid	**–**	(4)	**(22)**	(44)
Interest received	**11**	2	**18**	7
Other	**1**	1	**(4)**	(2)
	323	279	**1,054**	935

CASH POSITION

Cash position at September 30 is comprised of:

	2022	**2021**
Cash	**895**	571
Short-term investments	**2**	2
Restricted cash [1]	**14**	10
Cash and cash equivalents	**911**	583
Bank indebtedness	**–**	(4)
	911	579

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

13. 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, accounts payable and accrued liabilities and short-term debt	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 or forward 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:

	September 30, 2022		December 31, 2021	
Recurring Measurements	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Finance lease receivables	**148**	**185**	159	215
Financial Liabilities				
Long-term debt	**9,617**	**8,703**	9,308	10,830

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The Company's derivative instruments are measured at fair value. At September 30, 2022 and December 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;
- foreign currency forward contracts for the purpose of limiting exposure to exchange rate fluctuations; 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:

Recurring Measurements	Subject to Hedge Accounting: Interest Rate Swaps	Subject to Hedge Accounting: Commodities	Subject to Hedge Accounting: Foreign Currency Forward Contracts	Not Subject to Hedge Accounting: Commodities	Total Fair Value of Derivatives
September 30, 2022					
Financial Assets					
Prepaid expenses and other current assets [1]	**–**	**118**	**3**	**–**	**121**
Other assets [1]	**44**	**74**	**–**	**4**	**122**
Financial Liabilities					
Provisions and other current liabilities [1]	**–**	**25**	**–**	**63**	**88**
Other liabilities [1]	**–**	**16**	**–**	**14**	**30**
December 31, 2021					
Financial Assets					
Prepaid expenses and other current assets [1]	–	52	–	2	54
Other assets [1]	8	35	–	6	49
Financial Liabilities					
Provisions and other current liabilities [1]	1	12	–	20	33
Other liabilities [1]	–	8	–	6	14

(1) At September 30, 2022, financial liabilities and financial assets include $83 million and $4 million, respectively, of Level 3 derivative financial instruments (December 31, 2021 - financial liabilities and financial assets include $26 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:

Notional value and maturity	Subject to Hedge Accounting: Interest Rate Swaps	Subject to Hedge Accounting: Natural Gas [1]	Subject to Hedge Accounting: Power [2]	Subject to Hedge Accounting: Foreign Currency Forward Contracts	Not Subject to Hedge Accounting: Natural Gas [1]	Not Subject to Hedge Accounting: Power [2]	Not Subject to Hedge Accounting: Foreign Currency Forward Contracts
September 30, 2022							
Purchases [3]	**–**	**30,371,700**	**4,419,464**	**–**	**–**	**–**	**–**
Sales [3]	**–**	**1,677,274**	**1,482,797**	**–**	**21,341,479**	**1,667,417**	**–**
Currency							
Australian dollars	**729**	**–**	**–**	**–**	**–**	**–**	**–**
Mexican pesos	**570**	**–**	**–**	**–**	**–**	**–**	**23**
U.S. dollars	**–**	**–**	**–**	**28**	**–**	**–**	**–**
Maturity	**2023-2025**	**2022-2026**	**2022-2038**	**2022**	**2022-2025**	**2022-2025**	**2022**
December 31, 2021							
Purchases [3]	–	23,062,900	3,240,005	–	–	–	–
Sales [3]	–	2,313,227	526,314	–	11,015,969	1,232,616	–
Currency							
Australian dollars	732	–	–	–	–	–	–
Mexican pesos	570	–	–	–	–	–	79
U.S. dollars	–	–	–	2	–	–	–
Maturity	2023-2025	2022-2026	2022-2026	2022	2022-2024	2022-2024	2022

(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.

14. SUBSEQUENT EVENT

ACQUISITION OF RENEWABLE ENERGY BUSINESS

On October 5, 2022, the Company announced that it has entered into an agreement with Suncor Energy Inc. to acquire a portfolio of wind and solar assets and development projects in Alberta and Ontario, Canada, for aggregate consideration of approximately $730 million, subject to closing adjustments.

The transaction is expected to close in the first quarter of 2023 and is subject to regulatory approvals and closing conditions. The fair value calculation of the major classes of assets acquired and liabilities assumed will be completed during 2023.