CANADIAN UTILITIES LIMITED
An ATCO Company

CANADIAN UTILITIES LIMITED
FINANCIAL INFORMATION

FOR THE THREE MONTHS ENDED MARCH 31, 2022

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2022 INVESTOR FACT SHEET

UTILITIES I ENERGY INFRASTRUCTURE

Canadian Utilities is an ATCO company with approximately 4,800 employees and assets of $21 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	**$21 Billion**
Dividends	**$1.78 per share annualized**
Market Capitalization	**$10 billion**
Common Shares Outstanding *(weighted average)*	**270 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 March 31, 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

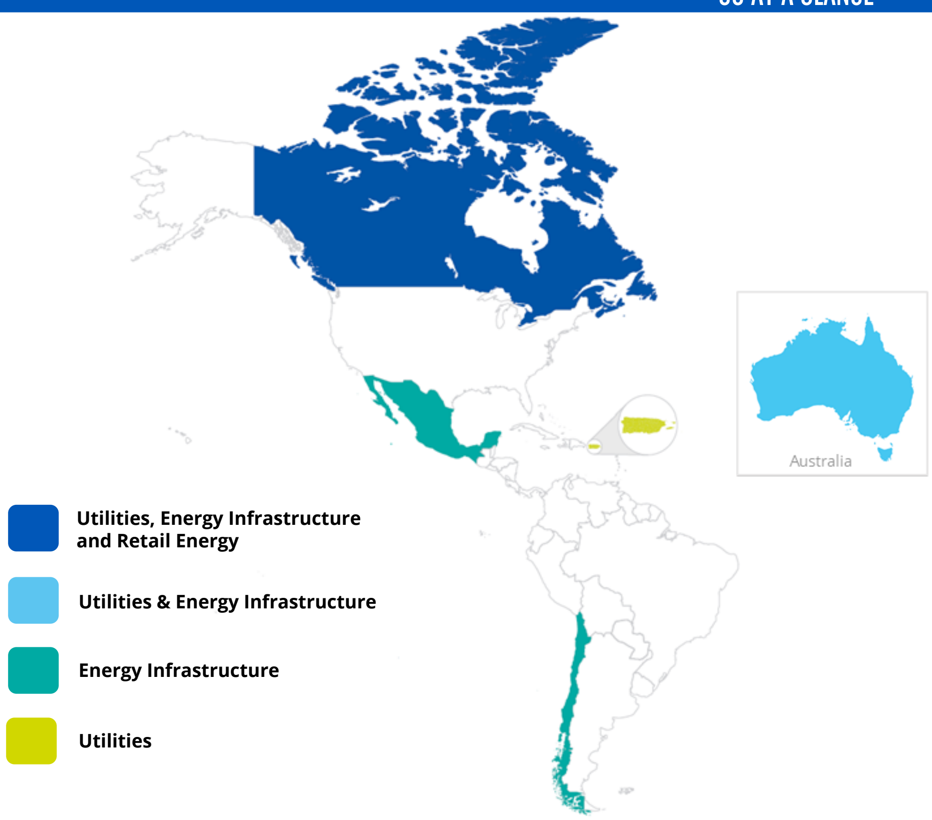
Remote Energy Transition – CU is focused on helping remote communities reduce their reliance on diesel through a combination of renewable generation, battery storage, and integrated control systems. In 2021, through these initiatives, the communities of Ft. Chip & Old Crow reduced their diesel consumption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



105,000 kms
Electric Powerlines
Owns & Operates

64,000 kms
Pipelines
Owns & Operates

398 MW*
Power Generation
Operates

101 Pj***
Natural Gas
Storage Capacity

293 MW*
Power Generation
Owns

400,000 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

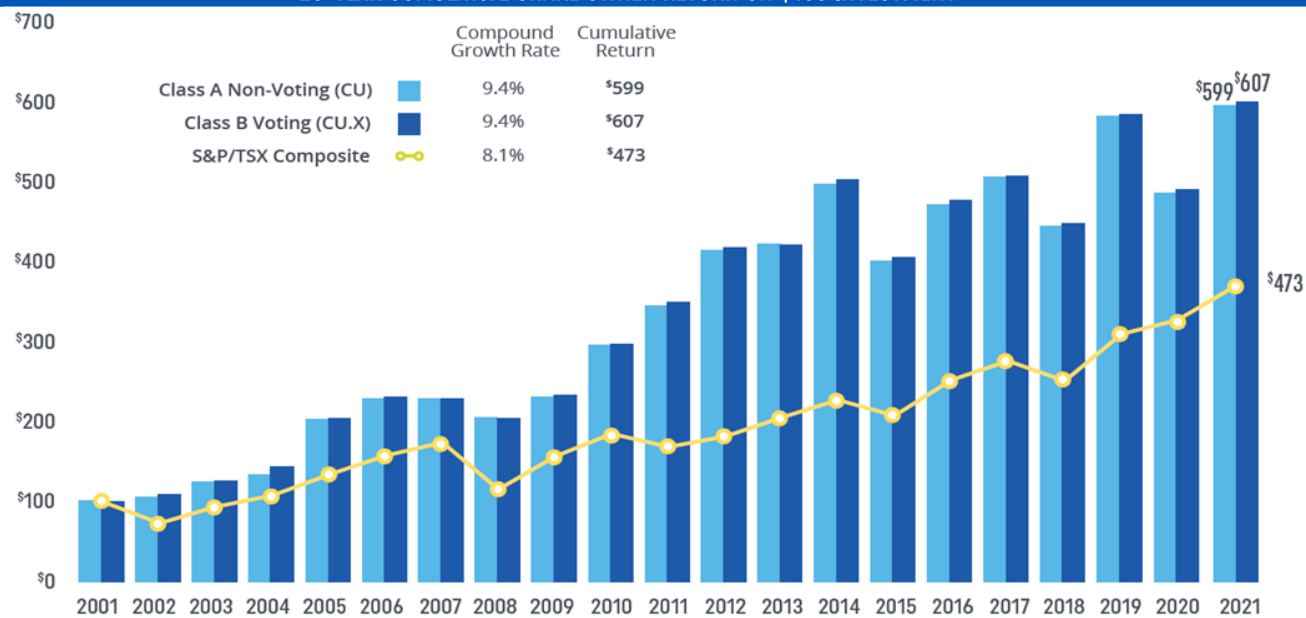
D. Jason Sharpe, President, ATCO Gas & Pipelines

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 FIRST QUARTER FINANCIAL INFORMATION

INVESTOR FACT SHEET

MANAGEMENT'S DISCUSSION AND ANALYSIS

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2022

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CANADIAN UTILITIES LIMITED
An ATCO Company

CANADIAN UTILITIES LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 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 three months ended March 31, 2022.

This MD&A was prepared as of April 27, 2022, and should be read with the Company's unaudited interim consolidated financial statements for the three months ended March 31, 2022. Additional information, including the Company's previous MD&A (2021 MD&A), 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.

	Three Months Ended March 31		
($ millions, except per share data and outstanding shares)	**2022**	**2021**	**Change**
Key Financial Metrics			
Revenues	**1,110**	907	203
Adjusted earnings [(1)]	**219**	191	28
Utilities [(1)]	**234**	201	33
Energy Infrastructure	**8**	10	(2)
Corporate & Other	**(23)**	(20)	(3)
Adjusted earnings ($ per share)	**0.81**	0.70	0.11
Earnings attributable to equity owners of the Company	**227**	141	86
Earnings attributable to Class A and Class B shares	**209**	124	85
Earnings attributable to Class A and Class B shares ($ per share)	**0.78**	0.46	0.32
Diluted earnings attributable to Class A and Class B shares ($ per share)	**0.78**	0.46	0.32
Total assets	**21,184**	20,367	817
Long-term debt	**9,321**	9,052	269
Equity attributable to equity owners of the Company	**6,779**	6,703	76
Cash dividends declared per Class A and Class B share (cents per share)	**44.42**	43.98	0.44
Cash flows from operating activities	**639**	511	128
Capital investment [(2)]	**265**	230	35
Capital expenditures	**263**	225	38
Other Financial Metrics			
Weighted average Class A and Class B shares outstanding *(thousands):*			
Basic	**268,948**	272,013	(3,065)
Diluted	**269,441**	272,458	(3,017)

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

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

REVENUES

Revenues for the first quarter of 2022 were $1,110 million, $203 million higher than the same period in 2021. Higher 2022 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 flow-through revenues in Electricity Distribution and Natural Gas Distribution, and higher natural gas prices in the Energy Infrastructure segment.

ADJUSTED EARNINGS

Our adjusted earnings in the first quarter of 2022 were $219 million or $0.81 per share, compared to $191 million or $0.70 per share for the same period in 2021.

Higher adjusted earnings in the first quarter of 2022 were mainly due to the timing of operating costs in the Natural Gas Distribution business, and earnings from International Electricity Operations.

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 $227 million in the first quarter of 2022, $86 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.

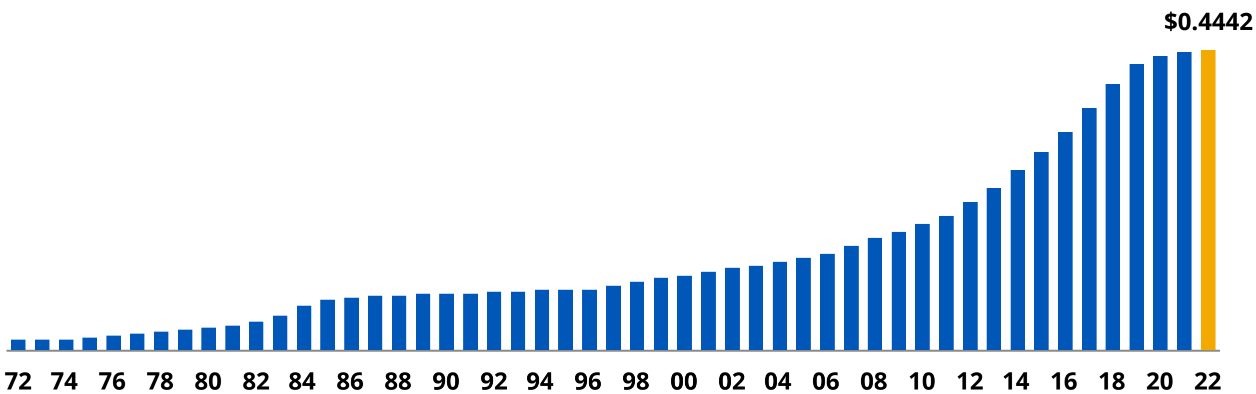
CASH FLOWS FROM OPERATING ACTIVITIES

Cash flows from operating activities were $639 million in the first quarter of 2022, $128 million higher than the same period in 2021. The increase was mainly due to higher cash flows from Canadian Utilities' Electricity Distribution and Gas Distribution businesses resulting from revenue attributable to the recovery of the 2021 deferral of rate increases and timing of certain revenue and expenses in the Utilities.

COMMON SHARE DIVIDENDS

Dividends paid to Class A and Class B share owners totaled $116 million in the first quarter of 2022. On April 14, 2022, the Board of Directors declared a second 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)

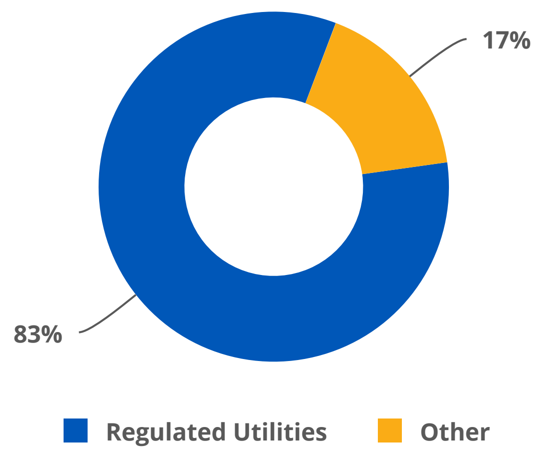


CAPITAL INVESTMENT [1] AND CAPITAL EXPENDITURES

Total capital investment and capital expenditures of $265 million and $263 million in the first quarter of 2022 were $35 million and $38 million higher compared to the same period in 2021.

Capital spending in the Regulated Utilities accounted for 83 per cent of total capital invested in the first quarter of 2022. The remaining 17 per cent was mainly due to increased construction activities within the Energy Infrastructure segment.

Capital Expenditures for the Three Months Ended March 31, 2022



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

BUSINESS UNIT PERFORMANCE

REVENUES

Utilities revenues of $964 million in the first quarter of 2022 were $174 million higher compared to the same period in 2021. Higher 2022 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 are also due to higher flow-through revenues in Electricity Distribution and Natural Gas Distribution.

ADJUSTED EARNINGS

	Three Months Ended March 31		
($ millions)	**2022**	**2021**	**Change**
Electricity			
Electricity Distribution [1]	**47**	42	5
Electricity Transmission [1]	**43**	43	—
International Electricity Operations [1]	**11**	5	6
Total Electricity	**101**	90	11
Natural Gas			
Natural Gas Distribution [1]	**99**	81	18
Natural Gas Transmission [1]	**23**	19	4
International Natural Gas Distribution [1]	**11**	11	—
Total Natural Gas	**133**	111	22
Total Utilities [2]	**234**	201	33

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

(2) Additional information regarding this total of segments measure is provided in the Other Financial and Non-GAAP Measures section of this MD&A.

Utilities adjusted earnings of $234 million in the first quarter of 2022 were $33 million higher than the same period in 2021 mainly due to timing of operating costs, cost efficiencies, growth in rate base, and earnings from International Electricity Operations.

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 $47 million in the first quarter of 2022 were $5 million higher than the same period 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 $43 million in the first quarter of 2022 were comparable to the same period in 2021.

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 has assumed 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 $11 million in the first quarter of 2022 were $6 million higher than the same period in 2021. Higher adjusted earnings were generated in the first quarter of 2022 as a result of ongoing operations as compared to continued transition work in the first quarter of 2021.

Natural Gas Distribution

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

Natural Gas Distribution adjusted earnings of $99 million in the first quarter of 2022 were $18 million higher than the same period in 2021 mainly due to timing of operating costs in 2022 and 2021.

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 $23 million in the first quarter of 2022 were $4 million higher than the same period 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 $11 million in the first quarter of 2022 were comparable to the same period in 2021.

UTILITIES RECENT DEVELOPMENTS

Northland Utilities Enterprises Ltd. (NUE) Ownership Structure

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. NUE is 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 DII's purchase of 36 per cent of the outstanding shares of NUE for a purchase price, net of cash disposed, of $8 million. The transaction results in ATCO Electric Ltd. and DII each having a 50 per cent ownership interest in NUE and highlights our continued commitment to foster community ownership and self-sustaining economic development.

UTILITIES REGULATORY DEVELOPMENTS

COMMON MATTERS

Generic Cost of Capital (GCOC)

On March 31, 2022, the AUC approved the extension of the current return on equity (ROE) of 8.5 per cent and equity thickness ratio of 37 per cent on a final basis for the 2023 period. By the third quarter of 2022, the AUC is expected to initiate a process for 2024 and beyond, including the potential establishment of a formula.

ELECTRICITY TRANSMISSION

Application of AUC Enforcement Staff for the Commencement of Proceeding Pursuant to Sections 8 and 63 of the *Alberta Utilities Commission Act*

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 proceeding also includes a determination of any future remedies that may be required.

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 settlement was filed with the AUC, reflecting 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. The AUC is currently determining the next process steps. 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 potential outcome of the proceeding.

NATURAL GAS TRANSMISSION

Pioneer Pipeline Acquisition

In 2020, Natural Gas Transmission entered into an agreement to acquire the 131-km Pioneer Pipeline from Tidewater Midstream & Infrastructure Ltd. and its partner TransAlta Corporation. Consistent with the geographic areas defined in the Integration Agreement, Natural Gas Transmission transferred to Nova Gas Transmission Ltd. (NGTL) the 30-km segment of pipeline that is located in the NGTL footprint.

The transaction to acquire the Pioneer Pipeline closed in 2021. The transfer to NGTL received approval from the Canada Energy Regulator on December 22, 2021, and on February 25, 2022, Natural Gas Transmission completed the transfer to NGTL of the 30-km segment of pipeline located in the NGTL footprint for $63 million.

REVENUES

Energy Infrastructure revenues of $81 million in the first quarter of 2022 were $29 million higher than the same period in 2021 mainly due to higher natural gas prices at the Carbon, Alberta natural gas storage facility and additional revenue from the Alberta Hub natural gas facility acquired in December 2021.

ADJUSTED EARNINGS

	Three Months Ended March 31		
($ millions)	**2022**	**2021**	**Change**
Electricity Generation [1]	**2**	6	(4)
Storage & Industrial Water [1]	**6**	4	2
Total Energy Infrastructure	**8**	10	(2)

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

Energy Infrastructure adjusted earnings of $8 million in the first quarter of 2022 were $2 million lower than the same period in 2021 mainly due to recovered business development costs in 2021, project development costs incurred in 2022, and unfavourable movements in the Australian foreign exchange rate, partially offset by earnings from the Alberta Hub Natural gas storage facility acquired in December 2021.

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 $2 million in the first quarter of 2022 were $4 million lower compared to the same period in 2021. Lower adjusted earnings were mainly due to recovered business development costs in 2021, project development costs incurred in 2022, and unfavourable movements in the Australian foreign exchange rate.

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 $6 million in the first quarter of 2022 were $2 million higher compared to the same period in 2021 mainly due to earnings from the Alberta Hub Natural gas storage facility acquired in December 2021.

ENERGY INFRASTRUCTURE RECENT DEVELOPMENTS

Canadian Utilities - Suncor Clean Hydrogen Project

In May 2021, Canadian Utilities and Suncor Energy announced the decision to collaborate on early stage design and engineering of a potential clean hydrogen project. The project will produce more than 300,000 tons per year of clean hydrogen, while capturing greater than 90 per cent of the carbon emissions, resulting in reductions to Alberta's carbon dioxide emissions of approximately two million tons per year. The hydrogen production facility will be located at ATCO's Heartland Energy Centre near Fort Saskatchewan, Alberta, and is expected to be operational as early as 2028, subject to a 2024 sanctioning decision.

Carbon sequestration for the clean hydrogen project is planned to be provided by the proposed Atlas Carbon Sequestration hub (Atlas Hub). The Atlas Hub has been proposed to be developed east of Edmonton by a partnership led by Shell Canada, ATCO Energy Solutions, and Suncor Energy. On March 31, 2022, Atlas Hub was shortlisted for further evaluation by the Government of Alberta. Proponents have been invited to work with the government to further evaluate the suitability of each location for safely storing carbon from industrial emissions. If the evaluation demonstrates that the proposed projects can provide permanent storage, companies can work with the government on an agreement that provides them with the right to inject captured carbon dioxide. This agreement will also ensure proponents will provide open access to all emitters and affordable use of the hub.

Calgary Solar Development Projects

In September 2021, Canadian Utilities announced that it had acquired the development rights to build two solar projects, the Deerfoot and Barlow projects in Calgary, Alberta, with a combined capacity of 64-MW. In March 2022, Canadian Utilities entered into a 15-year power purchase agreement with Microsoft Corporation. Under the terms of the agreement, Microsoft will purchase all renewable energy generated by Canadian Utilities’ 37-MW Deerfoot solar project in Calgary, Alberta. Once operational, the Deerfoot solar project will be one of the largest solar installations in a major urban centre in Western Canada.

Both the Barlow and the Deerfoot projects have received all major permits and are scheduled to start construction in May 2022. Energization is expected to commence in the fourth quarter of 2022.

CORPORATE & OTHER

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 March 31	
($ millions)	**2022**	**2021**	**Change**
Canadian Utilities Corporate & Other	**(23)**	(20)	(3)

Including intersegment eliminations, Canadian Utilities' Corporate & Other adjusted earnings in the first quarter of 2022 were $3 million lower than the same period in 2021 mainly due to increased financing costs from a new preferred dividend issuance in December 2021, partially offset by improved earnings from ATCOenergy resulting from increased commodity margins.

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, Sustainability Framework Reference Document, Corporate Governance, materiality assessment, and additional details and other disclosures are available on our website at www.canadianutilities.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.

Canadian Net-Zero Emissions Accountability Act

As required under the *Canadian Net-Zero Emissions Accountability Act*, on March 29, 2022, the Government of Canada released the 2030 Emissions Reduction Plan: Canada's Next Steps for Clean Air and a Strong Economy. The plan outlines a sector-by-sector approach for Canada to reduce emissions by 40 per cent below 2005 levels by 2030, including $9.1 billion in new investments in electric vehicle charging infrastructure, homes and buildings, technology and cleaner fuels, renewable electricity, oil and gas and farming. The plan also includes the development of the Clean Electricity Standard.

Our Performance

As our portfolio of assets and businesses evolves, so too does our environmental footprint. Since 2005, we have significantly decarbonized our portfolio through a combination of asset sales, implementation of fuel-switching, GHG reduction initiatives and other efficiency programs. More information on our GHG performance can be found in the 2021 Sustainability Report.

OTHER EXPENSES AND INCOME

A financial summary of other consolidated expenses and income items for the first quarter 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 March 31		
($ millions)	**2022**	**2021**	**Change**
Operating costs	**568**	481	87
Depreciation and amortization	**157**	154	3
Earnings from investment in joint ventures	**18**	13	5
Net finance costs	**97**	97	—
Income tax expense	**77**	45	32

OPERATING COSTS

Operating costs, which are total costs and expenses less depreciation and amortization, increased by $87 million in the first quarter of 2022 compared to the same period in 2021. Higher operating costs were mainly due to higher flow-through costs in the Alberta Utilities, costs related to the AUC enforcement proceeding, increased fuel costs in Energy Infrastructure due to the acquisition of Alberta Storage Hub Ltd., and higher prices for natural gas purchases at Energy Infrastructures' natural gas storage facility in Carbon, Alberta.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization increased by $3 million in the first quarter of 2022 compared to the same period in 2021 mainly due to the acquisition of the Pioneer Pipeline in Canadian Utilities' Natural Gas Transmission business in June 2021 and ongoing capital investment in Canadian Utilities' 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, 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 $5 million in the first quarter of 2022 compared to the same period in 2021. Higher earnings were generated in the first quarter of 2022 as a result of LUMA Energy's ongoing operations as compared to continued transition work in the first quarter of 2021.

NET FINANCE COSTS

Net finance costs in the first quarter of 2022 were comparable to the same period in 2021.

INCOME TAX EXPENSE

Income taxes were higher by $32 million in the first quarter of 2022 compared to the same period in 2021 mainly due to increased IFRS earnings.

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

	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 (high)	P-2	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 March 2, 2022, S&P Global Ratings revised its issuer rating on Canadian Utilities Limited from 'A-' with a negative outlook to 'BBB+' with a stable outlook. S&P Global Ratings affirmed Canadian Utilities subsidiary CU Inc.'s 'A-' issuer credit rating and stable outlook, reflecting S&P's view that CU Inc. is an insulated entity to Canadian Utilities.

On March 17, 2022, Fitch Ratings assigned a first-time issuer rating of 'A-' with a stable outlook to both Canadian Utilities and CU Inc.

On March 24, 2022, S&P Global Ratings affirmed Canadian Utilities subsidiary ATCO Gas Australia's 'BBB+' issuer credit rating and stable outlook.

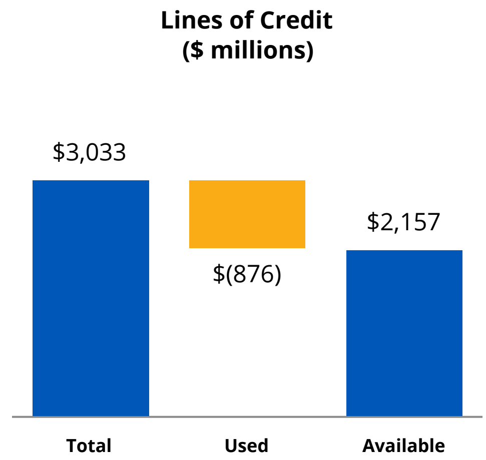
LINES OF CREDIT

At March 31, 2022, Canadian Utilities and its subsidiaries had the following lines of credit.

($ millions)	Total	Used	Available
Long-term committed	**2,480**	690	1,790
Uncommitted	**553**	186	367
Total	**3,033**	876	2,157

Of the $3,033 million in total lines of credit, $553 million was in the form of uncommitted credit facilities with no set maturity date. The other $2,480 million in credit lines was committed, with maturities between 2023 and 2026, and may be extended at the option of the lenders.

Of the $876 million in lines of credit used, $638 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 March 31, 2022, the Company's cash position was $837 million, an increase of $87 million compared to December 31, 2021 mainly due to cash flows from operating activities achieved during the quarter 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 $639 million in the first quarter of 2022, $128 million higher than the same period in 2021. The increase was mainly due to higher cash flows from the recovery of the 2021 deferral of rate increases and timing of certain revenue and expenses in the Utilities.

Cash Used for Capital Investment [1] and Capital Expenditures

Cash used for capital investment and capital expenditures was $265 million and $263 million in the first quarter of 2022, $35 million and $38 million higher compared to the same period in 2021. Capital spending in the Regulated Utilities accounted for 83 per cent of total capital invested in the first quarter of 2022. The remaining 17 per cent was mainly due to increased construction activities within the Energy Infrastructure segment.

Capital investment and capital expenditures for the first quarter of 2022 and 2021 are shown in the table below.

	Three Months Ended March 31		
($ millions)	**2022**	**2021**	**Change**
Utilities			
Electricity	**121**	88	33
Natural Gas	**96**	132	(36)
	217	220	(3)
Energy Infrastructure	**43**	3	40
CU Corporate & Other	**3**	2	1
Canadian Utilities Total Capital Expenditures (1) (2)	**263**	225	38
Capital Expenditures in joint ventures			
Utilities			
Electricity	**1**	—	1
Energy Infrastructure	**1**	5	(4)
Canadian Utilities Total Capital Investment (3)	**265**	**230**	**35**

(1) Includes additions to property, plant and equipment, intangibles and $2 million (2021 - $3 million) of capitalized interest during construction for the first quarter of 2022.

(2) Includes $45 million for the first quarter of 2022 (2021 - $56 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 in the Other Financial and Non-GAAP Measures section of this MD&A.

Base Shelf Prospectus - CU Inc. Debentures

On September 16, 2020, CU Inc. filed a base shelf prospectus that permits it to issue up to an aggregate of $1.2 billion of debentures over the 25-month life of the prospectus. As of April 27, 2022, aggregate issuances of debentures were $610 million.

Subsequent Event

On April 1, 2022, Canadian Utilities subsidiary, CU Inc. repaid $125 million of 9.92 per cent debentures.

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 $116 million net of DRIP in the first quarter of 2022.

On April 14, 2022, the Board of Directors declared a second 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 will expire on July 28, 2022. To date, no shares have been purchased.

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

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 first quarter of 2022, Canadian Utilities issued 98,925 Class A shares under the DRIP using re-invested dividends of $3 million.

SHARE CAPITAL

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

At April 26, 2022, we had outstanding 197,128,506 Class A shares, 72,332,029 Class B shares, and options to purchase 1,496,250 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, 2,919,900 Class A shares were available for issuance at March 31, 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 June 30, 2020 through March 31, 2022.

($ millions, except for per share data)	Q2 2021	Q3 2021	Q4 2021	Q1 2022
Revenues	790	790	1,028	**1,110**
Earnings attributable to equity owners of the Company	5	71	176	**227**
Earnings (loss) attributable to Class A and B shares	(11)	55	160	**209**
Earnings (loss) per Class A and Class B share *($)*	(0.04)	0.20	0.59	**0.78**
Diluted earnings (loss) per Class A and Class B share *($)*	(0.04)	0.20	0.59	**0.78**
Adjusted earnings per Class A and Class B share *($)*	0.43	0.33	0.71	**0.81**
Adjusted earnings (loss)				
Utilities[1]	124	104	206	**234**
Energy Infrastructure	7	7	4	**8**
Corporate & Other and Intersegment Eliminations	(16)	(23)	(18)	**(23)**
Total adjusted earnings[1]	115	88	192	**219**

($ millions, except for per share data)	Q2 2020	Q3 2020	Q4 2020	Q1 2021
Revenues	740	727	881	907
Earnings attributable to equity owners of the Company	72	91	104	141
Earnings attributable to Class A and Class B shares	56	74	87	124
Earnings per Class A and Class B share *($)*	0.21	0.27	0.32	0.46
Diluted earnings per Class A and Class B share *($)*	0.21	0.27	0.32	0.46
Adjusted earnings per Class A and Class B share *($)*	0.34	0.28	0.68	0.70
Adjusted earnings (loss)				
Utilities[1]	111	89	195	201
Energy Infrastructure	4	7	12	10
Corporate & Other and Intersegment Eliminations	(21)	(20)	(21)	(20)
Total adjusted earnings[1]	94	76	186	191

(1)

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

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

ADJUSTED EARNINGS

Adjusted earnings in the second and third quarters of each year 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 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.

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:

- In the second quarter of 2020, impairment and other costs not in the normal course of business of $30 million (after-tax) were recorded. These costs mainly related to certain assets that no longer represent strategic value for the Company.
- Early Termination of the Master Service Agreements 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
    - In the fourth quarter of 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 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 proceeding also includes a determination of any future remedies that may be required.
    - The AUC Enforcement branch and ATCO Electric Transmission reached a settlement agreement and on April 14, 2022, filed the settlement with the AUC. The AUC is in the process of determining the next steps. 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 potential outcome of the proceeding.
- Workplace COVID-19 Vaccination Standard
    - Effective January 1, 2022, the Company required its employees, subject to certain exemptions, to be vaccinated against COVID-19 to safeguard the health and safety of employees, business partners, customers and communities. Employees who did not demonstrate they were vaccinated or did not have an approved exemption were placed on unpaid leave and were subsequently offered severance. In the first quarter of 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 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.

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 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, invest in and finance 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 March 31

2022 2021	Utilities	Energy Infrastructure	Corporate & Other	Intersegment Eliminations	Consolidated
Revenues	**964**	**81**	**102**	**(37)**	**1,110**
	790	52	93	(28)	907
Adjusted earnings (loss)	**234**	**8**	**(23)**	**—**	**219**
	201	10	(20)	—	191
Unrealized (losses) gains on mark-to-market forward and swap commodity contracts	**—**	**—**	**(12)**	**—**	**(12)**
	—	—	1	—	1
Rate-regulated activities	**36**	**—**	**—**	**—**	**36**
	(52)	—	—	—	(52)
IT Common Matters decision	**(4)**	**—**	**—**	**—**	**(4)**
	(4)	—	—	—	(4)
Transition of managed IT services	**—**	**—**	**—**	**—**	**—**
	(10)	—	(1)	—	(11)
Dividends on equity preferred shares of Canadian Utilities Limited	**—**	**—**	**18**	**—**	**18**
	2	—	15	—	17
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	**236**	**8**	**(17)**	**—**	**227**
	137	9	(5)	—	141

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

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

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

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

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

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

	Three Months Ended March 31		
($ millions)	**2022**	**2021**	**Change**
Additional revenues billed in current period			
Future removal and site restoration costs [(1)]	**31**	29	2
Revenues to be billed in future periods			
Deferred income taxes [(2)]	**(22)**	(25)	3
Distribution rate relief [(3)]	**—**	(41)	41
Impact of warmer temperatures [(4)]	**(6)**	(2)	(4)
Impact of inflation on rate base [(5)]	**(6)**	(7)	1
Settlement of regulatory decisions and other items			
Distribution rate relief [(3)]	**35**	—	35
Other	**4**	(6)	10
	36	(52)	88

(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) In the first quarter of 2021, Electricity Distribution and Natural Gas Distribution recorded a decrease of earnings of $41 million (after tax) related to interim rate relief for customers as applied for by the company and approved by the AUC to hold current distribution base rates in place. In the first quarter of 2022, $35 million (after tax) was billed to customers based on direction from the AUC to maximize recoveries in 2022.

(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 months ended March 31, 2022 was $4 million (after-tax) (2021 - $4 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 in the fourth quarter of 2021. The amount excluded from adjusted earnings for the three months ended March 31, 2022 was $nil (2021 - $11 million after-tax).

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 proceeding also includes a determination of any future remedies that may be required.

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 settlement was filed with the AUC, reflecting 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. The AUC is currently determining the next process steps. 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 potential outcome of 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 placed on unpaid leave and were subsequently offered severance. In the three months ended March 31, 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 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 table reconciles 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 March 31

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	**47**	**43**	**11**	**101**	**99**	**23**	**11**	**133**	**234**
	42	43	5	90	81	19	11	111	201
Rate-regulated activities	**1**	**13**	**—**	**14**	**27**	**2**	**(7)**	**22**	**36**
	(27)	3	(1)	(25)	(18)	(2)	(7)	(27)	(52)
IT Common Matters decision	**(1)**	**(1)**	**—**	**(2)**	**(1)**	**(1)**	**—**	**(2)**	**(4)**
	(1)	(1)	—	(2)	(2)	—	—	(2)	(4)
Transition of managed IT services	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	(2)	(1)	—	(3)	(2)	(1)	(4)	(7)	(10)
Dividends on equity preferred shares of the Company	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	1	1	—	2	—	—	—	—	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	**50**	**27**	**11**	**88**	**122**	**22**	**4**	**148**	**236**
	13	45	4	62	59	16	—	75	137

ENERGY INFRASTRUCTURE

The following table reconciles 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 March 31
2022 2021	Canadian Utilities Limited		
	Electricity Generation	**Storage & Industrial Water**	**Energy Infrastructure**
Adjusted earnings	**2**	**6**	**8**
	6	4	10
Other	**—**	**—**	**—**
	—	(1)	(1)
Earnings attributable to equity owners of the Company	**2**	**6**	**8**
	6	3	9

RECONCILIATION OF CAPITAL INVESTMENT TO CAPITAL EXPENDITURES

Capital investment is a non-GAAP 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 March 31**
2022 2021	**Utilities**	**Energy Infrastructure**	**CUL Corporate & Other**	**Consolidated**
Capital Investment	**218**	**44**	**3**	**265**
	220	8	2	230
Capital Expenditure in joint ventures	**(1)**	**(1)**	**—**	**(2)**
	—	(5)	—	(5)
Capital Expenditures	**217**	**43**	**3**	**263**
	220	3	2	225

OTHER FINANCIAL INFORMATION

INTERNAL CONTROL OVER FINANCIAL REPORTING

There was no change in the Company’s internal control over financial reporting that occurred during the period beginning on January 1, 2022, and ended on March 31, 2022, that materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

FORWARD-LOOKING INFORMATION

Certain statements contained in this MD&A constitute forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as "anticipate", "plan", "estimate", "expect", "may", "will", "intend", "should", "goals", "targets", "strategy", "future", and similar expressions. In particular, forward-looking information in this MD&A includes, but is not limited to, references to general strategic plans and targets, including with respect to reducing GHG emissions and meeting certain environmental, social and governance targets; the AUC's determination of next process steps with respect to the settlement filed on April 14, 2022; the expectation and timing of an AUC initiated process to evaluate GCOC related formulas; and projected production levels and the timing for construction, completion or the commencement of operations in relation to the Suncor Clean Hydrogen project and Calgary Solar Development Projects.

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.

This MD&A may contain information that constitutes future-oriented financial information or financial outlook information, all of which are subject to the same assumptions, risk factors, limitations and qualifications set forth above. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise or inaccurate and, as such, undue reliance should not be placed on such future-oriented financial information or financial outlook information. The Company's actual results, performance and achievements could differ materially from those expressed in, or implied by, such future-oriented financial information or financial outlook information. The Company has included such information in order to provide readers with a more complete perspective on its future operations and its current expectations relating to its future performance. Such information may not be appropriate for other purposes and readers are cautioned that such information should not be used for purposes other than those for which it has been disclosed herein. Future-oriented financial information or financial outlook information contained herein was made as of the date of this MD&A.

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

ADDITIONAL INFORMATION

Canadian Utilities has published its unaudited interim consolidated financial statements and MD&A for the three months ended March 31, 2022. Copies of these documents may be obtained upon request from Investor Relations at 3rd Floor, West Building, 5302 Forand Street S.W., Calgary, Alberta, T3E 8B4, telephone 403-292-7500, or email investorrelations@atco.com.

GLOSSARY

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

AUC means the Alberta Utilities Commission.

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

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

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

Company means 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.

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.

CANADIAN UTILITIES LIMITED
An ATCO Company

CANADIAN UTILITIES LIMITED

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE THREE MONTHS ENDED MARCH 31, 2022

TABLE OF CONTENTS

CONSOLIDATED STATEMENTS OF EARNINGS

		Three Months Ended March 31	
(millions of Canadian Dollars except per share data)	**Note**	**2022**	**2021**
Revenues	4	**1,110**	907
Costs and expenses			
Salaries, wages and benefits		**(98)**	(86)
Energy transmission and transportation		**(66)**	(64)
Plant and equipment maintenance		**(43)**	(37)
Fuel costs		**(58)**	(29)
Purchased power		**(77)**	(77)
Depreciation and amortization		**(157)**	(154)
Franchise fees		**(111)**	(81)
Property and other taxes		**(18)**	(17)
Other		**(97)**	(90)
		(725)	(635)
Earnings from investment in joint ventures		**18**	13
Operating profit		**403**	285
Interest income		**3**	3
Interest expense		**(100)**	(100)
Net finance costs		**(97)**	(97)
Earnings before income taxes		**306**	188
Income tax expense		**(77)**	(45)
Earnings for the period		**229**	143
Earnings attributable to:			
Equity owners of the Company		**227**	141
Non-controlling interests		**2**	2
		229	143
Earnings per Class A and Class B share	5	**$0.78**	$0.46
Diluted earnings per Class A and Class B share	5	**$0.78**	$0.46

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(millions of Canadian Dollars)	Note	Three Months Ended March 31 2022	2021
Earnings for the period		**229**	143
Other comprehensive income, net of income taxes			
Items that will not be reclassified to earnings:			
Re-measurement of retirement benefits (1)	10	**11**	141
Items that are or may be reclassified subsequently to earnings:			
Cash flow hedges (2)		**28**	8
Foreign currency translation adjustment (3)		**11**	(14)
		39	(6)
Other comprehensive income		**50**	135
Comprehensive income for the period		**279**	278
Comprehensive income attributable to:			
Equity owners of the Company		**277**	276
Non-controlling interests		**2**	2
		279	278

(1) Net of income taxes of $(3) million for the three months ended March 31, 2022 (2021 - $(42) million).

(2) Net of income taxes of $(11) million for the three months ended March 31, 2022 (2021 - $(3) 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	March 31 2022	December 31 2021
ASSETS			
Current assets			
Cash and cash equivalents	11	**837**	753
Accounts receivable and contract assets		**704**	759
Finance lease receivables		**10**	10
Inventories		**27**	21
Prepaid expenses and other current assets		**127**	188
		1,705	1,731
Non-current assets			
Property, plant and equipment	6	**18,050**	18,008
Intangibles		**743**	726
Retirement benefit asset	10	**65**	87
Right-of-use assets		**50**	51
Investment in joint ventures	3	**240**	204
Finance lease receivables		**148**	149
Deferred income tax assets		**40**	33
Other assets		**143**	86
Total assets		**21,184**	21,075
LIABILITIES			
Current liabilities			
Bank indebtedness	11	**–**	3
Accounts payable and accrued liabilities		**739**	739
Lease liabilities		**7**	7
Provisions and other current liabilities		**188**	132
Short-term debt	7	**52**	206
Long-term debt		**331**	331
		1,317	1,418
Non-current liabilities			
Deferred income tax liabilities		**1,661**	1,588
Retirement benefit obligations	10	**232**	268
Customer contributions		**1,893**	1,870
Lease liabilities		**43**	44
Other liabilities		**82**	88
Long-term debt		**8,990**	8,977
Total liabilities		**14,218**	14,253
EQUITY			
Equity preferred shares		**1,571**	1,571
Class A and Class B share owners' equity			
Class A and Class B shares	9	**1,220**	1,216
Contributed surplus		**9**	8
Retained earnings		**3,962**	3,862
Accumulated other comprehensive income (loss)		**17**	(22)
Total equity attributable to equity owners of the Company		**6,779**	6,635
Non-controlling interests		**187**	187
Total equity		**6,966**	6,822
Total liabilities and equity		**21,184**	21,075

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(millions of Canadian Dollars)	Note	Attributable to Equity Owners of the Company 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		–	–	–	141	–	141	2	143
Other comprehensive income		–	–	–	–	135	135	–	135
Gains on retirement benefits transferred to retained earnings		–	–	–	141	(141)	–	–	–
Shares redeemed	9	(10)	–	–	(48)	–	(58)	–	(58)
Dividends	8,9	–	–	–	(137)	–	(137)	(2)	(139)
Share-based compensation		1	–	–	–	–	1	–	1
March 31, 2021		1,223	1,483	8	4,025	(36)	6,703	187	6,890
December 31, 2021		1,216	1,571	8	3,862	(22)	6,635	187	6,822
Earnings for the period		–	–	–	**227**	–	**227**	**2**	**229**
Other comprehensive income		–	–	–	–	**50**	**50**	–	**50**
Gains on retirement benefits transferred to retained earnings		–	–	–	**11**	**(11)**	–	–	–
Shares issued	9	**4**	–	–	–	–	**4**	–	**4**
Dividends	8,9	–	–	–	**(137)**	–	**(137)**	**(2)**	**(139)**
Share-based compensation		–	–	**1**	–	–	**1**	–	**1**
Other		–	–	–	**(1)**	–	**(1)**	–	**(1)**
March 31, 2022		**1,220**	**1,571**	**9**	**3,962**	**17**	**6,779**	**187**	**6,966**

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Three Months Ended March 31	
(millions of Canadian Dollars)	**Note**	**2022**	**2021**
Operating activities			
Earnings for the period		**229**	143
Adjustments to reconcile earnings to cash flows from operating activities	11	**349**	300
Changes in non-cash working capital		**61**	68
Cash flows from operating activities		**639**	511
Investing activities			
Additions to property, plant and equipment		**(230)**	(194)
Proceeds on disposal of property, plant and equipment		**–**	29
Additions to intangibles		**(31)**	(28)
Proceeds on sale of ownership interest in a subsidiary company, net of cash disposed	3	**8**	–
Investment in joint ventures		**(4)**	(4)
Changes in non-cash working capital		**18**	22
Other	6	**64**	(1)
Cash flows used in investing activities		**(175)**	(176)
Financing activities			
Net repayment of short-term debt	7	**(154)**	–
Repayment of long-term debt		**–**	(1)
Repayment of lease liabilities		**(2)**	(3)
Purchase of Class A shares		**–**	(58)
Dividends paid on equity preferred shares		**(18)**	(17)
Dividends paid to non-controlling interests		**(2)**	(2)
Dividends paid to Class A and Class B share owners		**(116)**	(120)
Interest paid		**(86)**	(81)
Other		**–**	1
Cash flows used in financing activities		**(378)**	(281)
Increase in cash position (1)		**86**	54
Foreign currency translation		**1**	(2)
Beginning of period		**750**	778
End of period	11	**837**	830

(1) Cash position includes $8 million which is not available for general use by the Company (2021 - $5 million).

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

MARCH 31, 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 April 27, 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.

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

3. SEGMENTED INFORMATION

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

2022 / **2021**	Utilities – Electricity	Utilities – Natural Gas	Utilities – Eliminations	Utilities – Total	Energy Infrastructure	Corporate & Other	Intersegment eliminations	Consolidated
Revenues - external	**399**	**563**	**–**	**962**	**54**	**94**	**–**	**1,110**
	337	450	–	787	34	86	–	907
Revenues - intersegment	**2**	**1**	**(1)**	**2**	**27**	**8**	**(37)**	**–**
	3	1	(1)	3	18	7	(28)	–
Revenues	**401**	**564**	**(1)**	**964**	**81**	**102**	**(37)**	**1,110**
	340	451	(1)	790	52	93	(28)	907
Operating expenses [(1)]	**(155)**	**(262)**	**1**	**(416)**	**(71)**	**(118)**	**37**	**(568)**
	(131)	(247)	1	(377)	(38)	(94)	28	(481)
Depreciation and amortization	**(79)**	**(71)**	**–**	**(150)**	**(4)**	**(3)**	**–**	**(157)**
	(79)	(68)	–	(147)	(4)	(3)	–	(154)
Earnings from investment in joint ventures	**12**	**–**	**–**	**12**	**6**	**–**	**–**	**18**
	7	–	–	7	6	–	–	13
Net finance costs	**(57)**	**(37)**	**–**	**(94)**	**(2)**	**(1)**	**–**	**(97)**
	(56)	(37)	–	(93)	(3)	(1)	–	(97)
Earnings (loss) before income taxes	**122**	**194**	**–**	**316**	**10**	**(20)**	**–**	**306**
	81	99	–	180	13	(5)	–	188
Income tax (expense) recovery	**(33)**	**(45)**	**–**	**(78)**	**(2)**	**3**	**–**	**(77)**
	(18)	(23)	–	(41)	(4)	–	–	(45)
Earnings (loss) for the period	**89**	**149**	**–**	**238**	**8**	**(17)**	**–**	**229**
	63	76	–	139	9	(5)	–	143
Adjusted earnings (loss)	**101**	**133**	**–**	**234**	**8**	**(23)**	**–**	**219**
	90	111	–	201	10	(20)	–	191
Total assets [(2)]	**10,482**	**8,499**	**(1)**	**18,980**	**1,159**	**1,249**	**(204)**	**21,184**
	10,405	8,581	(2)	18,984	1,194	1,103	(206)	21,075
Capital expenditures [(3)]	**121**	**96**	**–**	**217**	**43**	**3**	**–**	**263**
	88	132	–	220	3	2	–	225

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

2022	**Utilities**					
2021	**Electricity**	**Natural Gas**	**Total**	**Energy Infrastructure**	**Corporate & Other**	**Consolidated**
Adjusted earnings (loss)	**101**	**133**	**234**	**8**	**(23)**	**219**
	90	111	201	10	(20)	191
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	**–**	**–**	**–**	**–**	**–**	**–**
	(3)	(7)	(10)	–	(1)	(11)
Unrealized (losses) gains on mark-to-market forward and swap commodity contracts	**–**	**–**	**–**	**–**	**(12)**	**(12)**
	–	–	–	–	1	1
Rate-regulated activities	**14**	**22**	**36**	**–**	**–**	**36**
	(25)	(27)	(52)	–	–	(52)
IT Common Matters decision	**(2)**	**(2)**	**(4)**	**–**	**–**	**(4)**
	(2)	(2)	(4)	–	–	(4)
Dividends on equity preferred shares of Canadian Utilities Limited	**–**	**–**	**–**	**–**	**18**	**18**
	2	–	2	–	15	17
Other	**–**	**–**	**–**	**–**	**–**	**–**
	–	–	–	(1)	–	(1)
Earnings (loss) attributable to equity owners of the Company	**88**	**148**	**236**	**8**	**(17)**	**227**
	62	75	137	9	(5)	141
Earnings attributable to non-controlling interests						**2**
						2
Earnings for the period						**229**
						143

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 proceeding also includes a determination of any future remedies that may be required.

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 settlement was filed with the AUC, reflecting 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. The AUC is currently determining the next process steps.

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 potential outcome of 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 three months ended March 31, 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 is 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.

The Company recognized an onerous contract provision of $6 million ($4 million after-tax) and transition costs of $8 million ($7 million after-tax) during the three months ended March 31, 2021. The onerous contract provision of $6 million was in addition to $71 million recorded in 2020 and 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 transition costs related to activities to transfer the managed IT services from Wipro to IBM. As the onerous contract and transition costs are not in the normal course of business, they have been excluded from adjusted earnings.

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

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

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

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

Rate-regulated activities

ATCO Electric, 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.

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

	2022	2021
Additional revenues billed in current period		
Future removal and site restoration costs (1)	**31**	29
Revenues to be billed in future periods		
Deferred income taxes (2)	**(22)**	(25)
Distribution rate relief (3)	**–**	(41)
Impact of warmer temperatures (4)	**(6)**	(2)
Impact of inflation on rate base (5)	**(6)**	(7)
Settlement of regulatory decisions and other items		
Distribution rate relief (3)	**35**	–
Other	**4**	(6)
	36	(52)

(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) In the first quarter of 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 of $41 million (after-tax) in the first quarter of 2021. Based on the direction from the AUC, collection of 2021 deferred rates will be maximized in 2022. In the first quarter of 2022, $35 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 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 months ended March 31, 2022 was $4 million (2021 - $4 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 March 31 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	**176**	**364**	**540**	**–**	**–**	**540**
	130	291	421	–	–	421
Transmission services	**184**	**87**	**271**	**–**	**–**	**271**
	173	76	249	–	–	249
Customer contributions	**8**	**6**	**14**	**–**	**–**	**14**
	9	5	14	–	–	14
Franchise fees	**10**	**101**	**111**	**–**	**–**	**111**
	9	72	81	–	–	81
Retail electricity and natural gas services	**–**	**–**	**–**	**–**	**89**	**89**
	–	–	–	–	83	83
Storage and industrial water	**–**	**–**	**–**	**11**	**–**	**11**
	–	–	–	6	–	6
Total rendering of services	**378**	**558**	**936**	**11**	**89**	**1,036**
	321	444	765	6	83	854
Sale of Goods						
Electricity generation and delivery	**–**	**–**	**–**	**7**	**–**	**7**
	–	–	–	7	–	7
Commodity sales	**–**	**–**	**–**	**26**	**–**	**26**
	–	–	–	8	–	8
Total sale of goods	**–**	**–**	**–**	**33**	**–**	**33**
	–	–	–	15	–	15
Lease income						
Finance lease	**–**	**–**	**–**	**4**	**–**	**4**
	–	–	–	3	–	3
Other	**21**	**5**	**26**	**6**	**5**	**37**
	16	6	22	10	3	35
Total	**399**	**563**	**962**	**54**	**94**	**1,110**
	337	450	787	34	86	907

(1) For the three months ended March 31, 2022, Electricity and Natural Gas segments include $133 million of unbilled revenue (2021 - $108 million). At March 31, 2022, $133 million of the unbilled revenue is included in accounts receivable and contract assets (2021 - $108 million).

5. EARNINGS PER SHARE

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

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

	2022	2021
Average shares		
Weighted average shares outstanding	**268,947,907**	272,012,721
Effect of dilutive stock options	**55,402**	385
Effect of dilutive MTIP	**437,540**	444,634
Weighted average dilutive shares outstanding	**269,440,849**	272,457,740
Earnings for earnings per share calculation		
Earnings for the period	**229**	143
Dividends on equity preferred shares of the Company	**(18)**	(17)
Dividends to non-controlling interests	**(2)**	(2)
Earnings attributable to Class A and B shares	**209**	124
Earnings and diluted earnings per Class A and Class B share		
Earnings per Class A and Class B share	**$0.78**	$0.46
Diluted earnings per Class A and Class B share	**$0.78**	$0.46

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	**8**	–		**225**	**1**	**234**
Transfers	**74**	–	**2**	**(81)**	**5**	–
Retirements and disposals	**(21)**	–	–	–	**(3)**	**(24)**
Sale of ownership interest in a subsidiary company (*Note 3*)	**(111)**	–	**(8)**	**(2)**	**(5)**	**(126)**
Foreign exchange rate adjustment	**29**	**1**	**1**	**1**	**2**	**34**
Changes to asset retirement costs	–	**(3)**	–	–	–	**(3)**
March 31, 2022	**21,750**	**498**	**751**	**574**	**809**	**24,382**
Accumulated depreciation						
December 31, 2021	5,478	184	183	–	414	6,259
Depreciation	**127**	**2**	**4**	–	**13**	**146**
Retirements and disposals	**(21)**	–	–	–	**(3)**	**(24)**
Sale of ownership interest in a subsidiary company (Note 3)	**(52)**	–	**(3)**	–	**(2)**	**(57)**
Foreign exchange rate adjustment	**7**	–	–	–	**1**	**8**
March 31, 2022	**5,539**	**186**	**184**	–	**423**	**6,332**
Net book value						
December 31, 2021	16,293	316	573	431	395	18,008
March 31, 2022	**16,211**	**312**	**567**	**574**	**386**	**18,050**

The additions to property, plant and equipment included $2 million of interest capitalized during construction for the three months ended March 31, 2022 (2021 - $3 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 March 31, 2022, the Company had $52 million of commercial paper outstanding at an effective interest rate of 0.67 per cent, maturing in April 2022 (December 31, 2021 - $206 million at an effective interest rate of 0.32 per cent, maturing in January 2022).

The commercial paper is supported by the Company's long-term committed credit facilities.

8. EQUITY PREFERRED SHARES

DIVIDENDS

Cash dividends declared and paid per share for the three months ended March 31, are as follows:

(dollars per share)	**2022**	**2021**
Perpetual Cumulative Second Preferred Shares		
4.60% Series V [(1)]	–	0.2875
Cumulative Redeemable Second Preferred Shares		
3.403% Series Y	**0.2127**	0.2127
4.90% Series AA	**0.3062**	0.3062
4.90% Series BB	**0.3062**	0.3062
4.50% Series CC	**0.2812**	0.2812
4.50% Series DD	**0.2812**	0.2812
5.25% Series EE	**0.3281**	0.3281
4.50% Series FF	**0.2812**	0.2812
4.75% Series HH [(2)]	**0.2668**	–

(1) *The 4.60 per cent Series V Preferred Shares were redeemed in August 2021.*

(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 April 14, 2022, the Company declared second quarter eligible dividends of $0.2126875 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.

9. CLASS A AND CLASS B SHARES

At March 31, 2022, there were 197,088,506 (December 31, 2021 - 196,958,847) Class A shares and 72,372,029 (December 31, 2021 - 72,388,274) Class B shares outstanding. In addition, there were 1,496,250 options to purchase Class A shares outstanding at March 31, 2022, under the Company's stock option plan.

DIVIDENDS

The Company declared and paid cash dividends of $0.4442 per Class A and Class B share during the three months ended March 31, 2022 (2021 - $0.4398). The Company's policy is to pay dividends quarterly on its Class A and Class B shares. The payment of any dividend is at the discretion of the Board and depends on the financial condition of the Company and other factors.

On April 14, 2022, the Company declared a second 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 non-voting and Class B common share owners who are enrolled in the program. The DRIP was previously suspended effective January 10, 2019.

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

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

During the three months ended March 31, 2022, 98,925 Class A shares were issued under the DRIP, using re-invested dividends of $3 million. The shares were priced at an average of $34.39 per share.

NORMAL COURSE ISSUER BID

On July 29, 2021, the Company began a normal course issuer bid (NCIB), to purchase up to 3,930,623 outstanding Class A Shares. The bid expires on July 28, 2022. The prior NCIB to purchase up to 3,996,004 outstanding Class A Shares began on July 22, 2020 and expired on July 21, 2021.

No shares were purchased during the three months ended March 31, 2022 (2021 - 1,845,600 Class A shares were purchased for $58 million, resulting in a decrease to share capital of $10 million and a decrease to retained earnings of $48 million).

10. RETIREMENT BENEFITS

At March 31, 2022, the discount rate assumption which is used to measure the accrued benefit obligations increased to 4.27 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.

Due to the re-measurement of the accrued benefit obligations and related plan assets, the funded status (market value of assets less accrued benefit obligations) increased from a net deficit of $181 million at December 31, 2021 to a net deficit of $167 million at March 31, 2022. The deficit of $167 million is net of a retirement benefit asset of $65 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 ($252 million) and the asset ceiling ($65 million). Key assumptions used to determine the asset ceiling amount include a discount factor of 4.27 per cent and that the Company expects to realize the asset through future contribution holidays.

At March 31, 2022, the Company recognized a retirement benefit asset of $65 million and retirement benefit liability of $232 million (December 31, 2021 - $87 million and $268 million).

11. CASH FLOW INFORMATION

ADJUSTMENTS TO RECONCILE EARNINGS TO CASH FLOWS FROM OPERATING ACTIVITIES

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

	2022	2021
Depreciation and amortization	**157**	154
Dividends and distributions received from investment in joint ventures	**3**	5
Earnings from investment in joint ventures	**(18)**	(13)
Income tax expense	**77**	45
Unrealized losses on derivative financial instruments	**15**	1
Contributions by customers for extensions to plant	**45**	56
Amortization of customer contributions	**(14)**	(14)
Net finance costs	**97**	97
Income taxes paid	**(12)**	(32)
Other	**(1)**	1
	349	300

CASH POSITION

Cash position at March 31 is comprised of:

	2022	2021
Cash	**827**	821
Short-term investments	**2**	5
Restricted cash [(1)]	**8**	5
Cash and cash equivalents	**837**	831
Bank indebtedness	**–**	(1)
	837	830

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

12. FINANCIAL INSTRUMENTS

FAIR VALUE MEASUREMENT

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

Financial Instruments	Fair Value Method
Measured at Amortized Cost	
Cash and cash equivalents, accounts receivable and contract assets, bank indebtedness, 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 prices in certain commodity contracts (Level 3).

FINANCIAL INSTRUMENTS MEASURED AT AMORTIZED COST

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

	March 31, 2022		December 31, 2021	
Recurring Measurements	**Carrying Value**	**Fair Value**	**Carrying Value**	**Fair Value**
Financial Assets				
Finance lease receivables	**158**	**208**	159	215
Financial Liabilities				
Long-term debt	**9,321**	**9,580**	9,308	10,830

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The Company's derivative instruments are measured at fair value. At March 31, 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:

	Subject to Hedge Accounting		Not Subject to Hedge Accounting	
Recurring Measurements	**Interest Rate Swaps**	**Commodities**	**Commodities**	**Total Fair Value of Derivatives**
March 31, 2022				
Financial Assets				
Prepaid expenses and other current assets (1)	**–**	**61**	**–**	**61**
Other assets (1)	**29**	**39**	**6**	**74**
Financial Liabilities				
Provisions and other current liabilities (1)	**–**	**13**	**30**	**43**
Other liabilities (1)	**–**	**7**	**5**	**12**
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 March 31, 2022, financial liabilities and financial assets include $34 million and $6 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:

	Subject to Hedge Accounting				Not Subject to Hedge Accounting		
Notional value and maturity	**Interest Rate Swaps**	**Natural Gas** [1]	**Power** [2]	**Foreign Currency Forward Contracts**	**Natural Gas** [1]	**Power** [2]	**Foreign Currency Forward Contracts**
March 31, 2022							
Purchases [3]	–	**18,805,600**	**3,211,562**	–	–	–	–
Sales [3]	–	**1,886,917**	**1,602,538**	–	**15,453,766**	**1,465,479**	–
Currency							
Australian dollars	**732**	–	–	–	–	–	–
Mexican pesos	**570**	–	–	–	–	–	**23**
U.S. dollars	–	–	–	**2**	–	–	–
Maturity	**2023-2025**	**2022-2026**	**2022-2038**	**2022**	**2022-2024**	**2022-2024**	**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.

13. SUBSEQUENT EVENT

REPAYMENT OF LONG-TERM DEBT

On April 1, 2022, CU Inc., a wholly owned subsidiary of the Company, repaid $125 million of 9.92 per cent debentures.