



CANADIAN UTILITIES LIMITED
An **ATCO** Company

CANADIAN UTILITIES LIMITED
INTERIM CONSOLIDATED
FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE THREE MONTHS ENDED MARCH 31, 2024

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CONSOLIDATED STATEMENTS OF EARNINGS

		Three Months Ended March 31	
<i>(millions of Canadian Dollars except per share data)</i>	Note	2024	2023
Revenues	4	1,091	1,131
Costs and expenses			
Salaries, wages and benefits		(94)	(95)
Energy transmission and transportation		(78)	(75)
Plant and equipment maintenance		(57)	(59)
Fuel costs		(42)	(62)
Purchased power		(69)	(70)
Depreciation and amortization		(176)	(168)
Franchise fees		(99)	(108)
Property and other taxes		(20)	(18)
Derivative financial instruments gains	12	23	72
Other		(76)	(87)
		(688)	(670)
Earnings from investment in joint ventures		19	19
Operating profit		422	480
Interest income		19	16
Interest expense		(125)	(113)
Net finance costs		(106)	(97)
Earnings before income taxes		316	383
Income tax expense		(71)	(87)
Earnings for the period		245	296
Earnings attributable to:			
Equity owners of the Company		242	292
Non-controlling interests		3	4
		245	296
Earnings per Class A and Class B share	5	\$0.82	\$1.01
Diluted earnings per Class A and Class B share	5	\$0.82	\$1.01

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended March 31	
<i>(millions of Canadian Dollars)</i>	2024	2023
Earnings for the period	245	296
Other comprehensive loss, net of income taxes		
<i>Items that will not be reclassified to earnings:</i>		
Re-measurement of retirement benefits ⁽¹⁾	1	(3)
<i>Items that are or may be reclassified subsequently to earnings:</i>		
Cash flow hedges ⁽²⁾	(28)	(79)
Foreign currency translation adjustment ⁽³⁾	(8)	-
Share of other comprehensive income of joint ventures ⁽³⁾	1	2
	(35)	(77)
Other comprehensive loss	(34)	(80)
Comprehensive income for the period	211	216
Comprehensive income attributable to:		
Equity owners of the Company	208	212
Non-controlling interests	3	4
	211	216

(1) Net of income taxes of nil for the three months ended March 31, 2024 (2023 - \$1 million).

(2) Net of income taxes of \$9 million for the three months ended March 31, 2024 (2023 - \$21 million).

(3) Net of income taxes of nil.

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

<i>(millions of Canadian Dollars)</i>	Note	March 31 2024	December 31 2023
ASSETS			
Current assets			
Cash and cash equivalents		35	207
Marketable securities	6	206	200
Accounts receivable and contract assets		764	743
Finance lease receivables		12	12
Inventories		68	64
Prepaid expenses and other current assets		183	211
		1,268	1,437
Non-current assets			
Property, plant and equipment	7	19,930	19,826
Intangibles		986	976
Retirement benefit asset		43	46
Right-of-use assets		50	52
Goodwill		141	141
Investment in joint ventures		223	232
Finance lease receivables		122	126
Deferred income tax assets		33	30
Other assets		284	292
Total assets		23,080	23,158
LIABILITIES			
Current liabilities			
Bank indebtedness		26	–
Accounts payable and accrued liabilities		719	820
Lease liabilities		8	8
Provisions and other current liabilities		71	66
Long-term debt	8	406	528
		1,230	1,422
Non-current liabilities			
Deferred income tax liabilities		2,119	2,087
Retirement benefit obligations		219	224
Customer contributions		2,047	2,041
Lease liabilities		45	46
Other liabilities		180	175
Long-term debt	8	10,008	10,007
Total liabilities		15,848	16,002
EQUITY			
Equity preferred shares	9	1,571	1,571
Class A and Class B share owners' equity			
Class A and Class B shares	10	1,286	1,276
Contributed surplus		14	14
Retained earnings		4,185	4,084
Accumulated other comprehensive loss		(36)	(1)
Total equity attributable to equity owners of the Company		7,020	6,944
Non-controlling interests		212	212
Total equity		7,232	7,156
Total liabilities and equity		23,080	23,158

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					Total	Non-Controlling Interests	Total Equity
		Class A and Class B Shares	Equity Preferred Shares	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive (Loss) Income			
December 31, 2022		1,237	1,571	9	3,936	126	6,879	187	7,066
Earnings for the period		-	-	-	292	-	292	4	296
Other comprehensive loss		-	-	-	-	(80)	(80)	-	(80)
Losses on retirement benefits transferred to retained earnings		-	-	-	(3)	3	-	-	-
Shares issued	10	6	-	-	-	-	6	-	6
Acquisition	13	-	-	-	-	-	-	27	27
Dividends ⁽¹⁾	9, 10	-	-	-	(141)	-	(141)	(2)	(143)
Share-based compensation		-	-	(1)	-	-	(1)	-	(1)
Other		-	-	-	1	-	1	-	1
March 31, 2023		1,243	1,571	8	4,085	49	6,956	216	7,172
December 31, 2023		1,276	1,571	14	4,084	(1)	6,944	212	7,156
Earnings for the period		-	-	-	242	-	242	3	245
Other comprehensive loss		-	-	-	-	(34)	(34)	-	(34)
Gains on retirement benefits transferred to retained earnings		-	-	-	1	(1)	-	-	-
Shares issued	10	10	-	-	-	-	10	-	10
Dividends ⁽¹⁾	9, 10	-	-	-	(142)	-	(142)	(3)	(145)
March 31, 2024		1,286	1,571	14	4,185	(36)	7,020	212	7,232

(1) For the three months ended March 31, 2024, dividends attributable to equity owners of the Company of \$142 million (2023 - \$141 million) include \$10 million (2023 - \$6 million) of dividends paid to Class A and Class B share owners by issuing 337,632 (2023 - 157,818) Class A shares under the Company's dividend reinvestment program (see note 10).

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(millions of Canadian Dollars)</i>	Note	Three Months Ended March 31	
		2024	2023
Operating activities			
Earnings for the period		245	296
Adjustments to reconcile earnings to cash flows from operating activities	11	359	309
Changes in non-cash working capital		(102)	(65)
Cash flows from operating activities		502	540
Investing activities			
Additions to property, plant and equipment		(288)	(272)
Proceeds on disposal of property, plant and equipment		–	2
Additions to intangibles		(25)	(26)
Acquisition, net of cash acquired	13	–	(675)
Investment in joint ventures		–	(2)
Investment in marketable securities	6	(2)	(190)
Changes in non-cash working capital		(15)	30
Other		7	1
Cash flows used in investing activities		(323)	(1,132)
Financing activities			
Issue of long-term debt		21	720
Repayment of long-term debt		(135)	(18)
Repayment of lease liabilities		(2)	(2)
Dividends paid on equity preferred shares	9	(19)	(19)
Dividends paid to non-controlling interests		(3)	(2)
Dividends paid to Class A and Class B share owners	10	(113)	(116)
Interest paid		(126)	(111)
Cash flows (used in) from financing activities		(377)	452
Decrease in cash position ⁽¹⁾		(198)	(140)
Foreign currency translation		–	(1)
Beginning of period		207	698
End of period	11	9	557

(1) Cash position includes \$6 million which is not available for general use by the Company (2023 - \$6 million).

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

MARCH 31, 2024

(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:

- ATCO Energy Systems (electricity and natural gas transmission and distribution, and international electricity operations);
- ATCO EnPower (energy storage, electricity generation, industrial water solutions, and clean fuels);
- ATCO Australia (natural gas distribution and electricity generation operations); and
- Retail Energy (electricity and natural gas retail sales, and home maintenance solutions) (included in the Corporate & Other segment).

In the first quarter of 2024, the Company changed its operating segment structure to better align current strategy and future growth objectives. The change resulted in reporting the business activities of ATCO Australia as a separate reportable operating segment (see Note 3).

The unaudited interim consolidated financial statements include the accounts of Canadian Utilities Limited, its subsidiaries, and the accounts of a proportionate share of the Company's investments in joint ventures. In these financial statements, "the Company" means Canadian Utilities Limited, its subsidiaries and 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 (IFRS Accounting Standards). 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, 2023, prepared according to IFRS Accounting Standards.

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 and the change in reportable segments. 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 May 1, 2024.

BASIS OF MEASUREMENT

The unaudited interim consolidated financial statements are prepared on a historic cost basis, except for marketable securities, 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 and the amount of sunlight, wind and water available to produce renewable energy.

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

ADOPTION OF AMENDED ACCOUNTING STANDARDS

The Company has adopted amendments to IAS 1 Presentation of Financial Statements that are effective January 1, 2024. The amendments clarified the requirements for classifying current or non-current liabilities and introduced additional disclosures to assist users of financial statements in understanding the risk that non-current liabilities with covenants may become payable within the next twelve months after the balance sheet date. The adoption of the amendments did not have an impact to the Company's unaudited interim consolidated financial statements.

3. SEGMENTED INFORMATION

The Company's operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The CODM is comprised of the President and Chief Executive Officer, and the other members of the Executive Committee.

The accounting policies applied by the segments are the same as those applied by the Company, except for those used in the calculation of adjusted earnings. Intersegment transactions are measured at the exchange amount, as agreed to by the related parties.

In the first quarter of 2024, the Company changed its operating segment structure to better align current strategy and future growth objectives. This change involved reporting a new operating segment, ATCO Australia, which includes natural gas distribution and electricity generation operations based in Australia. Previously, ATCO Australia's natural gas distribution operations were reported in the ATCO Energy Systems operating segment and the electricity generation operations were reported in the ATCO EnPower operating segment. In addition, ATCO Australia's corporate office was included in Canadian Utilities Corporate & Other. The change in reportable segments had no impact to the Company's previously reported historical consolidated balance sheets and the consolidated statements of earnings, comprehensive income, cash flows and changes in equity. Comparative segment results previously reported have been reclassified to reflect this change in the reportable operating segments.

Management has determined that the operating subsidiaries in the reportable segments below share similar economic characteristics, as such, they have been aggregated.

The descriptions and principal operating activities of the realigned segments are as follows:

ATCO Energy Systems	Electricity	The ATCO Energy Systems (Electricity) segment includes ATCO Electric, which provides regulated electricity transmission and distribution services in northern and central east Alberta, the Yukon, the Northwest Territories and in the Lloydminster area of Saskatchewan, and the Company's 50 per cent ownership interest in LUMA Energy, LLC, which provides international electricity operations.
	Natural Gas	The ATCO Energy Systems (Natural Gas) segment includes ATCO Gas and ATCO Pipelines. These businesses provide integrated natural gas transmission and distribution services throughout Alberta and in the Lloydminster area of Saskatchewan.
ATCO EnPower		The ATCO EnPower segment includes ATCO Renewables and ATCO Next Energy. These businesses provide electricity generation, natural gas storage, industrial water solutions and related infrastructure development throughout Alberta, the Yukon, the Northwest Territories, Ontario, Mexico and Chile.
ATCO Australia		The ATCO Australia segment includes ATCO Gas Australia, which provides regulated natural gas distribution services in Western Australia, and ATCO Power Australia, which provides electricity generation.
Corporate & Other		Canadian Utilities Limited Corporate & Other includes intersegment eliminations and ATCO Energy, a retail electricity and natural gas business, and a home maintenance solution provider.

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

2024	ATCO Energy Systems				ATCO EnPower	ATCO Australia	Corporate & Other	Intersegment eliminations	Total
	2023	Electricity	Natural Gas	Eliminations					
Revenues - external	364	523	-	887	58	53	93	-	1,091
	377	508	-	885	90	53	103	-	1,131
Revenues - intersegment	3	1	(4)	-	33	-	8	(41)	-
	1	1	(2)	-	36	-	12	(48)	-
Revenues	367	524	(4)	887	91	53	101	(41)	1,091
	378	509	(2)	885	126	53	115	(48)	1,131
Operating expenses ⁽¹⁾	(140)	(250)	4	(386)	(57)	(32)	(78)	41	(512)
	(136)	(250)	2	(384)	(90)	(44)	(32)	48	(502)
Depreciation and amortization	(83)	(62)	-	(145)	(14)	(14)	(3)	-	(176)
	(79)	(61)	-	(140)	(11)	(14)	(3)	-	(168)
Earnings from investment in joint ventures	14	-	-	14	3	2	-	-	19
	13	-	-	13	3	3	-	-	19
Net finance costs	(57)	(35)	-	(92)	(7)	(3)	(4)	-	(106)
	(55)	(33)	-	(88)	(6)	(2)	(1)	-	(97)
Earnings (loss) before income taxes	101	177	-	278	16	6	16	-	316
	121	165	-	286	22	(4)	79	-	383
Income tax (expense) recovery	(21)	(41)	-	(62)	(4)	(1)	(4)	-	(71)
	(26)	(38)	-	(64)	(5)	2	(20)	-	(87)
Earnings (loss) for the period	80	136	-	216	12	5	12	-	245
	95	127	-	222	17	(2)	59	-	296
Adjusted earnings (loss)	100	121	-	221	8	11	(15)	-	225
	94	113	-	207	15	16	(21)	-	217
Total assets ⁽²⁾	11,016	7,767	(2)	18,781	2,331	1,520	708	(260)	23,080
	10,990	7,630	(1)	18,619	2,340	1,557	896	(254)	23,158
Capital expenditures ⁽³⁾	150	131	-	281	14	16	5	-	316
	145	96	-	241	42	20	1	-	304

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

(2) 2023 comparatives are at December 31, 2023.

(3) Includes additions to property, plant and equipment, intangibles and \$3 million of interest capitalized during construction for the three months ended March 31, 2024 (2023 - \$6 million).

Results by operating segment for the year ended December 31 reflecting the realigned segments are shown below:

2023	ATCO Energy Systems				ATCO EnPower	ATCO Australia	Corporate & Other	Intersegment eliminations	Total
	Electricity	Natural Gas	Eliminations	Total					
2022	1,429	1,539	-	2,968	272	225	331	-	3,796
	1,493	1,691	-	3,184	220	202	442	-	4,048
Revenues - intersegment	7	4	(11)	-	83	-	44	(127)	-
	21	1	(6)	16	77	-	32	(125)	-
Revenues	1,436	1,543	(11)	2,968	355	225	375	(127)	3,796
	1,514	1,692	(6)	3,200	297	202	474	(125)	4,048
Operating expenses ⁽¹⁾	(570)	(894)	11	(1,453)	(227)	(153)	(110)	127	(1,816)
	(591)	(897)	6	(1,482)	(234)	(110)	(572)	125	(2,273)
Depreciation and amortization and impairment	(339)	(269)	-	(608)	(47)	(53)	(17)	-	(725)
	(321)	(239)	-	(560)	(18)	(54)	(10)	-	(642)
Earnings from investment in joint ventures	50	-	-	50	10	6	-	-	66
	53	-	-	53	11	12	-	-	76
Net finance costs (income)	(225)	(134)	-	(359)	(25)	(13)	(9)	-	(406)
	(222)	(134)	-	(356)	(9)	(13)	7	-	(371)
Earnings (loss) before income taxes	352	246	-	598	66	12	239	-	915
	433	422	-	855	47	37	(101)	-	838
Income tax (expense) recovery	(65)	(56)	-	(121)	(15)	(2)	(60)	-	(198)
	(100)	(98)	-	(198)	(10)	(3)	12	-	(199)
Earnings (loss) for the year	287	190	-	477	51	10	179	-	717
	333	324	-	657	37	34	(89)	-	639
Adjusted earnings (loss)	360	211	-	571	46	60	(81)	-	596
	375	246	-	621	34	78	(78)	-	655
Total assets	10,990	7,630	(1)	18,619	2,340	1,557	896	(254)	23,158
	10,644	7,447	(1)	18,090	1,158	1,552	1,433	(259)	21,974
Capital expenditures ⁽²⁾	630	500	-	1,130	139	83	8	-	1,360
	566	472	-	1,038	234	99	12	-	1,383

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

(2) Includes additions to property, plant and equipment, intangibles and \$21 million of interest capitalized during construction for the year ended December 31, 2023 (2022 - \$14 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 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:

2024	ATCO Energy Systems						
2023	Electricity	Natural Gas	Total	ATCO EnPower	ATCO Australia	Corporate & Other	Total
Adjusted earnings (loss)	100	121	221	8	11	(15)	225
	94	113	207	15	16	(21)	217
Unrealized gains on mark-to-market forward and swap commodity contracts	–	–	–	3	–	8	11
	–	–	–	–	–	61	61
Rate-regulated activities	(18)	17	(1)	–	(6)	–	(7)
	4	16	20	–	(11)	–	9
IT Common Matters decision	(3)	(3)	(6)	–	–	–	(6)
	(3)	(2)	(5)	–	–	–	(5)
Transition of managed IT services	–	–	–	–	–	–	–
	(1)	(1)	(2)	–	(7)	–	(9)
Dividends on equity preferred shares of Canadian Utilities Limited	–	–	–	–	–	19	19
	–	–	–	–	–	19	19
Earnings (loss) attributable to equity owners of the Company	79	135	214	11	5	12	242
	94	126	220	15	(2)	59	292
Earnings attributable to non-controlling interests							3
							4
Earnings for the period							245
							296

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

The Company's electricity generation and electricity and natural gas retail businesses enter 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 fixed-price swap commodity contracts in the electricity generation business are recognized in the ATCO EnPower segment and electricity and natural gas retail business in the Corporate & Other segment.

The CODM believes that removal of the unrealized gains and 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 Transmission, ATCO Electric Distribution, 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 Accounting Standards 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 Accounting Standards in the following ways:

Timing Adjustment	Items	RRA Treatment	IFRS Accounting Standards 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 Accounting Standards.
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 Accounting Standards are as follows:

	2024	2023
<i>Additional revenues billed in current period</i>		
Future removal and site restoration costs ⁽¹⁾	31	30
Impact of colder temperatures ⁽²⁾	5	2
<i>Revenues to be billed in future periods</i>		
Deferred income taxes ⁽³⁾	(33)	(36)
Impact of inflation on rate base ⁽⁴⁾	(5)	(10)
<i>Settlement of regulatory decisions and other items</i>		
Distribution rate relief ⁽⁵⁾	-	5
Other ⁽⁶⁾	(5)	18
	(7)	9

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

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

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

(5) In 2021, in response to the ongoing COVID-19 Pandemic, ATCO Electric Distribution and ATCO Gas Distribution applied and received approval from the AUC for interim rate relief for customers to hold current distribution base rates in place. Based on direction from the AUC, collection of 2021 deferred rate amounts commenced in 2022 and for the three months ended March 31, 2023, \$5 million (after-tax) was billed to customers.

(6) For the three months ended March 31, 2023, ATCO Electric Distribution recorded an increase in earnings of \$16 million (after-tax) related to payments of electricity transmission costs.

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, 2024 was \$6 million (after-tax) (2023 - \$5 million (after-tax)).

Transition of managed IT services

For the three months ended March 31, 2023, the Company recognized additional legal and other costs of \$9 million (after-tax) related to the Wipro Ltd. master service agreements matter that was concluded on February 26, 2023. The impact was recorded in other expenses in the consolidated statements of earnings, and in changes in non-cash working capital (operating activities) in the consolidated statements of cash flows. As these costs are not in the normal course of business, they have been excluded from adjusted earnings.

ATCO Australia Annual Adjusted Earnings

For the year ended December 31, 2023, ATCO Australia's earnings for the year were \$10 million (2022 - \$34 million) and adjusted earnings were \$60 million (2022 - \$78 million). The most significant item included in ATCO Australia's adjusted earnings is rate-regulated activities of \$43 million (after-tax) (2022 - \$65 million (after-tax)).

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:

2024	ATCO Energy Systems			ATCO EnPower	ATCO Australia ⁽²⁾	Corporate & Other ⁽³⁾	Consolidated
2023	Electricity ⁽¹⁾	Natural Gas ⁽¹⁾	Total				
Revenue Streams							
Rendering of Services							
Distribution services	153	337	490	–	39	–	529
	167	315	482	–	39	–	521
Transmission services	167	90	257	–	–	–	257
	167	87	254	–	–	–	254
Customer contributions	9	6	15	–	2	–	17
	9	4	13	–	1	–	14
Franchise fees	10	89	99	–	–	–	99
	10	98	108	–	–	–	108
Retail electricity and natural gas services	–	–	–	–	–	90	90
	–	–	–	–	–	101	101
Storage and industrial water	–	–	–	22	–	–	22
	–	–	–	19	–	–	19
Total rendering of services	339	522	861	22	41	90	1,014
	353	504	857	19	40	101	1,017
Sale of Goods							
Electricity generation and delivery	–	–	–	22	2	–	24
	–	–	–	26	2	–	28
Commodity sales	–	–	–	7	–	–	7
	–	–	–	30	–	–	30
Total sale of goods	–	–	–	29	2	–	31
	–	–	–	56	2	–	58
Lease income							
Finance lease	–	–	–	1	2	–	3
	–	–	–	1	2	–	3
Other	25	1	26	6	8	3	43
	24	4	28	14	9	2	53
Total	364	523	887	58	53	93	1,091
	377	508	885	90	53	103	1,131

(1) For the three months ended March 31, 2024, Electricity and Natural Gas segments include \$126 million of unbilled revenue (2023 - \$118 million). At March 31, 2024, \$126 million of the unbilled revenue is included in accounts receivable and contract assets (2023 - \$118 million).

(2) Revenues for the new reportable operating segment, ATCO Australia, were previously reported in ATCO Energy Systems (ATCO Australia's natural gas distribution operations), ATCO EnPower (ATCO Australia's electricity generation operations) and Corporate & Other (ATCO Australia's corporate office). Prior period amounts have been reclassified to align with current presentation. For the three months ended March 31, 2024, ATCO Australia segment includes \$20 million of unbilled revenue (2023 - \$19 million). At March 31, 2024, \$20 million of the unbilled revenue is included in accounts receivable and contract assets (2023 - \$19 million).

(3) For the three months ended March 31, 2024, Corporate & Other segment includes \$59 million of unbilled revenue (2023 - \$45 million) from retail electricity and natural gas energy services. At March 31, 2024, \$59 million of the unbilled revenue is included in accounts receivable and contract assets (2023 - \$45 million).

5. EARNINGS PER SHARE

Earnings per Class A non-voting common (Class A) and Class B voting 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 held in the mid-term incentive plan (MTIP) Trust on the weighted average Class A and Class B Shares outstanding. In May 2023, the Company terminated the MTIP plan and all Class A shares held in the MTIP Trust were sold.

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

	2024	2023
Average shares		
Weighted average shares outstanding	271,037,889	269,524,926
Effect of dilutive stock options	100	67,365
Effect of dilutive MTIP	-	436,733
Weighted average dilutive shares outstanding	271,037,989	270,029,024
Earnings for earnings per share calculation		
Earnings for the period	245	296
Dividends on equity preferred shares of the Company	(19)	(19)
Non-controlling interests	(3)	(4)
Earnings attributable to Class A and B shares	223	273
Earnings and diluted earnings per Class A and Class B share		
Earnings per Class A and Class B share	\$0.82	\$1.01
Diluted earnings per Class A and Class B share	\$0.82	\$1.01

6. MARKETABLE SECURITIES

In February 2023, the Company invested \$190 million in marketable securities primarily consisting of investment grade fixed income corporate and government bonds, private fixed income funds, bank loans and commercial mortgage funds. The Company's marketable securities are actively managed by an external investment manager.

The marketable securities are initially measured at cost and are subsequently measured at fair value through profit or loss (FVTPL). For the three months ended March 31, 2024, realized gains of \$2 million (2023 - nil) were recognized in interest income and unrealized gains, resulting from fair value changes, of \$4 million (2023 - unrealized gains of \$1 million) were recognized in other costs and expenses in the unaudited interim consolidated statements of earnings.

7. 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 Generation & Storage	Land and Buildings	Construction Work-in- Progress	Other	Total
Cost						
December 31, 2023	23,321	1,548	764	500	835	26,968
Additions	12	1	–	286	–	299
Transfers	154	(5)	12	(167)	6	–
Retirements and disposals	(27)	–	–	–	(7)	(34)
Foreign exchange rate adjustment	(28)	4	(1)	(2)	(1)	(28)
Changes to asset retirement costs	–	(7)	–	–	–	(7)
March 31, 2024	23,432	1,541	775	617	833	27,198
Accumulated depreciation						
December 31, 2023	6,237	240	205	–	460	7,142
Depreciation	138	11	4	–	13	166
Retirements and disposals	(27)	–	–	–	(7)	(34)
Foreign exchange rate adjustment	(7)	1	–	–	–	(6)
March 31, 2024	6,341	252	209	–	466	7,268
Net book value						
December 31, 2023	17,084	1,308	559	500	375	19,826
March 31, 2024	17,091	1,289	566	617	367	19,930

The additions to property, plant and equipment included \$2 million of interest capitalized during construction for the three months ended March 31, 2024 (2023 - \$4 million).

8. LONG-TERM DEBT

ACQUISITION FINANCING

On January 3, 2023, the Company entered into an unsecured non-revolving credit facility with a syndicate of lenders consisting of two \$355 million tranches to finance the acquisition of a portfolio of wind and solar assets and projects (see Note 13). The first tranche was repaid on June 30, 2023 and the second tranche was partially repaid in December 2023. The remaining balance of \$68 million will mature on July 3, 2024. The unsecured non-revolving credit facility bears an interest rate of Canadian Dollar Overnight Rate (CDOR) plus an applicable margin.

OTHER

On March 6, 2024, CU Inc., a wholly owned subsidiary, repaid \$120 million of 6.215 per cent debentures.

9. EQUITY PREFERRED SHARES

DIVIDENDS

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

<i>(dollars per share)</i>	2024	2023
Cumulative Redeemable Second Preferred Shares		
5.196% Series Y	0.3248	0.3248
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	0.2969	0.2969

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 11, 2024, the Company declared second quarter eligible dividends of \$0.32475 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, payable on June 1, 2024 to share owners of record as of May 2, 2024.

10. CLASS A AND CLASS B SHARES

At March 31, 2024, there were 204,665,360 (December 31, 2023 - 204,327,728) Class A shares and 66,598,854 (December 31, 2023 - 66,598,854) Class B shares outstanding. In addition, there were 2,433,750 options to purchase Class A shares outstanding at March 31, 2024, under the Company's stock option plan (December 31, 2023 - 2,535,850).

DIVIDENDS

The Company declared and paid cash dividends of \$0.4531 per Class A and Class B share during the three months ended March 31, 2024 (2023 - \$0.4486). 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 11, 2024, the Company declared a second quarter dividend of \$0.4531 per Class A and Class B share, payable on June 1, 2024 to share owners of record as of May 2, 2024.

DIVIDEND REINVESTMENT PROGRAM

During the three months ended March 31, 2024, 337,632 Class A shares were issued under the Company's dividend reinvestment plan (2023 - 157,818), using re-invested dividends of \$10 million (2023 - \$6 million). The shares were priced at an average of \$29.99 per share (2023 - \$35.36 per share).

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.

	2024	2023
Depreciation and amortization	176	168
Dividends and distributions received from investment in joint ventures	19	17
Earnings from investment in joint ventures	(19)	(19)
Income tax expense	71	87
Unrealized gains on derivative financial instruments	(14)	(79)
Contributions by customers for extensions to plant	22	56
Amortization of customer contributions	(17)	(14)
Net finance costs	106	97
Income taxes paid	(10)	(7)
Interest received	16	12
Other	9	(9)
	359	309

CASH POSITION

Cash position at March 31 is comprised of:

	2024	2023
Cash	–	547
Short-term investments	29	4
Restricted cash ⁽¹⁾	6	6
Cash and cash equivalents	35	557
Bank indebtedness	(26)	–
	9	557

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

12. FINANCIAL INSTRUMENTS

FAIR VALUE MEASUREMENT

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

Financial Instruments	Fair Value Method
Measured at Amortized Cost	
Cash and cash equivalents, accounts receivable and contract assets, bank indebtedness and accounts payable and accrued liabilities.	Assumed to approximate carrying value due to their short-term nature.
Finance lease receivables	Determined using a risk-adjusted interest rate to discount future cash receipts (Level 2).
Long-term debt and long-term advances due from joint venture	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	
Marketable securities	Determined using quoted market prices for the same or similar securities or alternative pricing sources and models with inputs validated by publicly available market providers (Level 2).
Interest rate swaps	Determined using interest rate forward rate yield curves at period-end (Level 2).
Foreign currency contracts	Determined using quoted forward exchange rates at period-end (Level 2).
Commodity contracts	Determined using observable period-end forward curves and quoted spot market prices with inputs validated by publicly available market providers (Level 2). Determined using statistical techniques to derive period-end forward curves using unobservable inputs or extrapolation from spot or forward prices in certain commodity contracts (Level 3).

FINANCIAL INSTRUMENTS MEASURED AT AMORTIZED COST

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

Recurring Measurements	March 31, 2024		December 31, 2023	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Finance lease receivables	134	150	138	156
Long-term advances due from joint venture ⁽¹⁾	30	28	33	32
Financial Liabilities				
Long-term debt	10,414	9,789	10,535	10,237

(1) Long-term advances due from joint venture are recorded in prepaid expenses and other current assets, nil (December 31, 2023 - \$3 million), and other assets, \$30 million (December 31, 2023 - \$30 million), on the consolidated balance sheets.

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

Marketable securities

At March 31, 2024, the Company's marketable securities measured at fair value include investment grade corporate bonds and debentures, private fixed income funds, and bank loans and commercial mortgage funds (see Note 6).

Derivative financial instruments

The Company's derivative instruments are measured at fair value. At March 31, 2024 and December 31, 2023, 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 power forward 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:

	Level 2		Level 3		Total Fair Value of Derivatives
	Subject to Hedge Accounting		Subject to Hedge Accounting ⁽¹⁾	Not Subject to Hedge Accounting ⁽²⁾	
Recurring Measurements	Interest Rate Swaps	Commodities	Commodities		
March 31, 2024					
Financial Assets					
Prepaid expenses and other current assets	16	14	–	59	89
Other assets	2	5	98	90	195
Financial Liabilities					
Provisions and other current liabilities	–	41	–	–	41
Other liabilities	–	43	–	–	43
December 31, 2023					
Financial Assets					
Prepaid expenses and other current assets	20	36	–	51	107
Other assets	2	16	90	94	202
Financial Liabilities					
Provisions and other current liabilities	–	43	–	6	49
Other liabilities	1	35	–	–	36

(1) Derivative financial instruments (Level 3) that are subject to hedge accounting are related to the Company's renewable power purchase agreements in its generation business (reported in ATCO EnPower operating segment) and supply contracts in its retail electricity and natural gas business (reported in the Corporate & Other operating segment).

(2) Derivative financial instruments (Level 3) that are not subject to hedge accounting are related to customer contracts in the Company's retail electricity and natural gas business (reported in Corporate & Other operating segment).

A reconciliation of the changes in the Company's derivative financial instruments classified as Level 3 for the three months ended March 31, 2024 is as follows:

	Subject to Hedge Accounting	Not Subject to Hedge Accounting	Total
December 31, 2023 ⁽¹⁾	90	139	229
Settlement of derivative contracts	(4)	(8)	(12)
Gains recognized in earnings	5	18	23
Gains recognized in other comprehensive income	7	-	7
March 31, 2024 ⁽¹⁾	98	149	247

(1) Net financial (liabilities) assets classified as Level 3 at end of the period.

For the three months ended March 31, the following realized and unrealized gains and losses on derivative financial instruments were recognized in the unaudited interim consolidated statements of earnings:

	2024			2023		
	Level 2	Level 3	Total	Level 2	Level 3	Total
Realized gains (losses)						
Revenues	-	1	1	(5)	-	(5)
Fuel costs	(6)	-	(6)	(4)	-	(4)
Purchased power	12	-	12	24	-	24
Derivative financial instruments	1	8	9	4	(11)	(7)
	7	9	16	19	(11)	8
Unrealized gains (losses)						
Derivative financial instruments	-	14	14	(1)	80	79
Total	7	23	30	18	69	87

Notional and maturity summary

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

Notional value and maturity	Subject to Hedge Accounting				Not Subject to Hedge Accounting		
	Interest Rate Swaps	Natural Gas ⁽¹⁾	Power ⁽²⁾	Foreign Currency Forward Contracts	Natural Gas ⁽¹⁾	Power ⁽²⁾	Foreign Currency Forward Contracts
March 31, 2024							
Purchases ⁽³⁾	-	43,190,825	4,255,462	-	-	-	-
Sales ⁽³⁾	-	243,499	8,967,846	-	20,558,794	2,780,679	-
Currency							
Canadian dollars	86	-	-	-	-	-	-
Australian dollars	719	-	-	-	-	-	-
U.S. dollars	-	-	-	14	-	-	-
Mexican pesos	-	-	-	-	-	-	23
Maturity	2024-2034	2024-2028	2024-2038	2024	2024-2028	2024-2028	2024
December 31, 2023							
Purchases ⁽³⁾	-	49,744,800	4,633,262	-	-	-	-
Sales ⁽³⁾	-	422,595	10,288,344	-	26,647,764	3,096,245	-
Currency							
Canadian dollars	88	-	-	-	-	-	-
Australian dollars	719	-	-	-	-	-	-
U.S. dollars	-	-	-	5	-	-	-
Mexican pesos	-	-	-	-	-	-	23
Maturity	2024-2034	2024-2028	2024-2038	2024	2024-2028	2024-2028	2024

(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. BUSINESS COMBINATION

ACQUISITION OF RENEWABLE ENERGY BUSINESS

On January 3, 2023, ATCO Renewables Ltd., a wholly owned subsidiary of the Company, acquired from Suncor Energy Inc. (Suncor) a portfolio of wind and solar assets and projects in Alberta and Ontario, Canada. The aggregate consideration paid on January 3, 2023 was \$713 million, which included cash acquired of \$38 million. The finalized working capital adjustment, which resulted in an additional payment of \$16 million to Suncor, was recorded during the second quarter ended June 30, 2023. Identifiable assets acquired and liabilities assumed are \$691 million.

The transaction was primarily financed by an unsecured non-revolving credit facility issued by a syndicate of lenders (see Note 8). The acquisition was accounted for as a business acquisition and its results are included in the ATCO EnPower operating segment.

The fair values of the identifiable assets acquired and liabilities assumed were as follows:

	Preliminary Values	Adjustments ⁽¹⁾	Final Values
Assets			
Accounts receivable and contract assets	10	1	11
Property, plant and equipment	641	(1)	640
Construction work-in-progress	46	(46)	-
Intangible assets	61	46	107
Other assets	9	-	9
Right-of-use assets	3	2	5
Goodwill	145	(4)	141
Total assets	915	(2)	913
Liabilities and non-controlling interest			
Accounts payable and accrued liabilities	(37)	-	(37)
Deferred income tax liabilities	(150)	5	(145)
Lease liabilities	(3)	(2)	(5)
Other liabilities	(7)	(1)	(8)
Non-controlling interest	(27)	-	(27)
Total liabilities and non-controlling interest	(224)	2	(222)
Total identifiable net assets acquired	691	-	691

(1) The Company recorded certain adjustments to the purchase price allocation in December 2023 following the finalization of the fair values of the identifiable assets acquired and liabilities assumed.