CANADIAN UTILITIES LIMITED
An ATCO Company

CANADIAN UTILITIES LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2024

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, 2024.

This MD&A was prepared as of May 1, 2024, and should be read with the Company's unaudited interim consolidated financial statements for the three months ended March 31, 2024. Additional information, including the Company's previous MD&A (2023 MD&A), Annual Information Form (2023 AIF), and audited consolidated financial statements for the year ended December 31, 2023, is available on SEDAR+ at www.sedarplus.ca. Information contained in the 2023 MD&A is not discussed in this MD&A if it remains substantially unchanged.

The Company is controlled by ATCO Ltd. (ATCO) and its controlling share owner, Sentgraf Enterprises Ltd. and its controlling share owner, the Southern family.

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

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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)	**2024**	**2023**	**Change**
Key Financial Metrics			
Revenues	**1,091**	1,131	(40)
Adjusted earnings (loss) (1)	**225**	217	8
ATCO Energy Systems (1)	**221**	207	14
ATCO EnPower (1)	**8**	15	(7)
ATCO Australia (1)	**11**	16	(5)
Corporate & Other (1)	**(15)**	(21)	6
Adjusted earnings ($ per share) (2)	**0.83**	0.81	0.02
Earnings attributable to equity owners of the Company	**242**	292	(50)
Earnings attributable to Class A and Class B shares	**223**	273	(50)
Earnings attributable to Class A and Class B shares ($ per share)	**0.82**	1.01	(0.19)
Diluted earnings attributable to Class A and Class B shares ($ per share)	**0.82**	1.01	(0.19)
Total assets	**23,080**	22,891	189
Long-term debt	**10,414**	10,239	175
Equity attributable to equity owners of the Company	**7,020**	6,956	64
Cash dividends declared per Class A and Class B share (cents per share)	**45.31**	44.86	0.45
Cash flows from operating activities	**502**	540	(38)
Capital investment (3)	**318**	996	(678)
Capital expenditures	**316**	304	12
Other Financial Metrics			
Weighted average Class A and Class B shares outstanding *(thousands):*			
Basic	**271,038**	269,525	1,513
Diluted	**271,038**	270,029	1,009

(1) Total of segments measures (as defined in National Instrument 52-112 - Non-GAAP and Other Financial Measures Disclosure (NI 52-112)). The most directly comparable measure reported in accordance with International Financial Reporting Standards (IFRS) is Earnings Attributable to Equity Owners of the Company. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Equity Owners of the Company" in this MD&A.

(2) Non-GAAP ratio (as defined in NI 52-112). The most directly comparable measure reported in accordance with IFRS is Earnings Attributable to Class A and Class B shares ($ per share). See "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Equity Owners of the Company" in this MD&A.

(3) Non-GAAP financial measure (as defined in NI 52-112). The most directly comparable measure reported in accordance with IFRS is capital expenditures. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Capital Investment to Capital Expenditures" in this MD&A.

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 creating a new operating segment, ATCO Australia, which includes natural gas distribution (ATCO Gas Australia) and electricity generation operations (ATCO Power Australia) 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. Comparative amounts for prior periods have been reclassified to reflect this change in reportable operating segments.

REVENUES

Revenues in the first quarter of 2024 were $1,091 million, $40 million lower than the same period in 2023. Lower revenues were mainly due to lower flow-through natural gas storage revenues and lower pricing realized at the Forty Mile wind facility in ATCO EnPower, lower flow-through revenues in Electricity Distribution, and decreased commodity prices in ATCOenergy. Lower revenues were partially offset by growth in rate base and an increase in return on equity (ROE) in ATCO Energy Systems.

ADJUSTED EARNINGS [1]

Our adjusted earnings in the first quarter of 2024 were $225 million or $0.83 per share, compared to $217 million or $0.81 per share for the same period in 2023.

Higher adjusted earnings in the first quarter of 2024 were mainly due to increased ROE and growth in rate base in ATCO Energy Systems' businesses, and higher interest income earned on Corporate investments. Higher adjusted earnings were partially offset by lower capture pricing at the Forty Mile wind facility at ATCO EnPower, and the impact of inflation indexing in ATCO Australia.

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 $242 million in the first quarter of 2024, $50 million lower compared to the same period in 2023. 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 shares and Class B shares plus dividends on equity preferred shares of the Company. Additional information regarding earnings attributable to Class A shares and Class B shares is presented in Note 10 of the unaudited interim consolidated financial statements.

CASH FLOWS FROM OPERATING ACTIVITIES

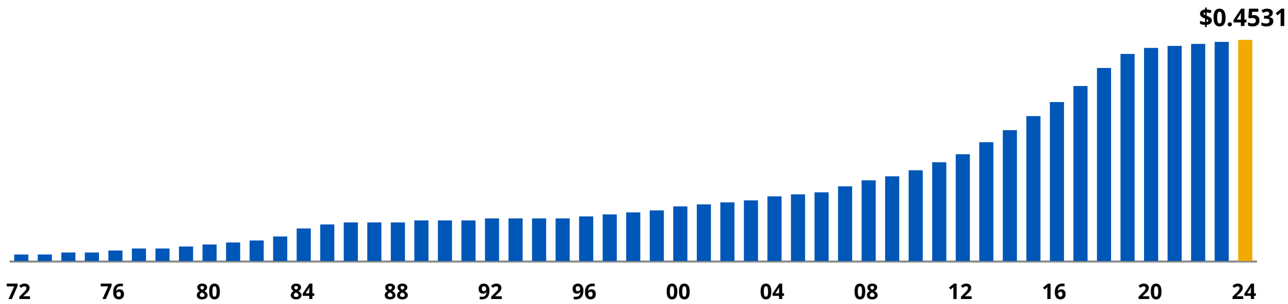
Cash flows from operating activities were $502 million in the first quarter of 2024, $38 million lower than the same period in 2023 mainly due to lower customer contributions in ATCO Energy Systems, and lower realized gains on derivative financial instruments in ATCOenergy.

COMMON SHARE DIVIDENDS

Dividends paid to Class A and Class B share owners in the first quarter of 2024 totaled $113 million, net of $10 million of dividends reinvested. On April 11, 2024, the Board of Directors declared a second quarter dividend of 45.31 cents per share or $1.81 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.

[1] *Total of segments measure. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Equity Owners of the Company" in this MD&A.*

Quarterly Dividend Rate 1972 - 2024
(dollars per share)

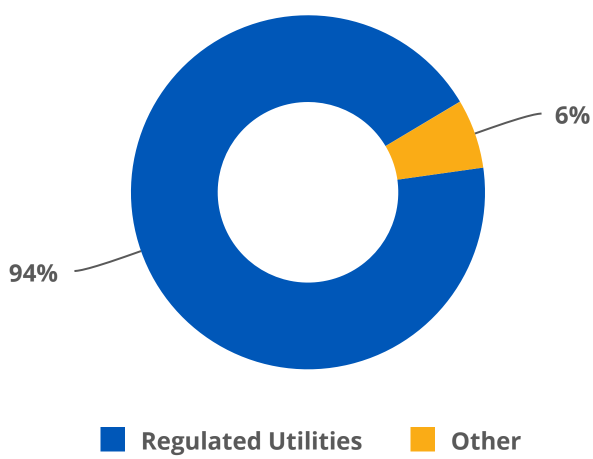


CAPITAL INVESTMENT [1] AND CAPITAL EXPENDITURES

Capital investment is a non-GAAP financial measure defined as cash used for capital expenditures, business combinations, and cash used in the Company's share of capital expenditures in joint ventures. Total capital investment of $318 million in the first quarter of 2024 was $678 million lower compared to the same period in 2023 mainly due to the acquisition of the renewable energy portfolio in January 2023.

Capital expenditures, a GAAP measure, include additions to property, plant and equipment and intangibles as well as interest capitalized during construction. Total capital expenditures of $316 million in the first quarter of 2024 were $12 million higher compared to the same period in 2023 mainly due to increased spending related to ongoing system upgrades and growth projects for new customers in ATCO Energy Systems, partially offset by decreased capital spending in the ATCO EnPower segment as the Barlow, Deerfoot and Empress Solar projects reached commercial operations throughout 2023.

Capital Expenditures for the Three Months Ended March 31, 2024



Capital expenditures in the Regulated Utilities accounted for 94 per cent of the total in the first quarter of 2024. The remaining 6 per cent was primarily related to capital spending within ATCO EnPower, largely related to the Atlas Carbon Sequestration Hub project.

[1] *Non-GAAP financial measure. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Capital Investment to Capital Expenditures" in this MD&A.*

BUSINESS UNIT PERFORMANCE

REVENUES

ATCO Energy Systems revenues of $887 million in the first quarter of 2024 were comparable to the same period in 2023. Revenues were positively impacted by growth in the Alberta regulated rate base and an increase in return on equity following the 2023 Alberta Utilities Commission (AUC) decision which set the 2024 ROE at 9.28 per cent, partially offset by lower flow-through revenue in Electricity Distribution.

ADJUSTED EARNINGS

	Three Months Ended March 31		
($ millions)	**2024**	**2023**	**Change**
Electricity			
Electricity Distribution (1)	**41**	38	3
Electricity Transmission (1)	**46**	44	2
International Electricity Operations (1)	**13**	12	1
Total Electricity (1)	**100**	94	6
Natural Gas			
Natural Gas Distribution (1)	**99**	88	11
Natural Gas Transmission (1)	**22**	25	(3)
Total Natural Gas (1)	**121**	113	8
Total ATCO Energy Systems (2)	**221**	207	14

(1) Non-GAAP financial measures. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Equity Owners of the Company" in this MD&A.

(2) Total of segments measure. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Equity Owners of the Company" in this MD&A.

ATCO Energy Systems adjusted earnings of $221 million in the first quarter of 2024 were $14 million higher than the same period in 2023 mainly due to growth in rate base and an increase in ROE, and lower operating costs in International Electricity Operations. Higher earnings were partially offset by Natural Gas Transmission's 2024-2025 General Rate Application which included cost efficiencies implemented in prior periods that are being passed on to customers.

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

Electricity Distribution

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

Electricity Distribution adjusted earnings of $41 million in the first quarter of 2024 were $3 million higher than the same period in 2023 mainly due to growth in rate base and an increase in return on equity.

Electricity Transmission

Electricity Transmission provides 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 $46 million in the first quarter of 2024 were $2 million higher than the same period in 2023 mainly due to growth in rate base and an increase in return on equity.

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 and the Puerto Rico Electric Power Authority (PREPA).

LUMA Energy continues to operate under the terms of a Supplemental Agreement, which was extended on November 30, 2022, and will continue until such time that PREPA's bankruptcy is resolved. Following the resolution of PREPA's bankruptcy proceeding, LUMA Energy will transition to year one of the Operations and Maintenance Agreement.

International Electricity Operations adjusted earnings of $13 million in the first quarter of 2024 were $1 million higher compared to the same period in 2023 mainly due to lower operating costs in 2024.

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 2024 were $11 million higher than the same period in 2023 mainly due to growth in rate base and an increase in return on equity.

Natural Gas Transmission

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

Natural Gas Transmission adjusted earnings of $22 million in the first quarter of 2024 were $3 million lower than the same period in 2023 mainly due to the 2024-2025 General Rate Application which included cost efficiencies implemented in prior periods that are being passed on to customers, partially offset by growth in rate base and an increase in return on equity.

ATCO ENERGY SYSTEMS REGULATORY DEVELOPMENTS

Natural Gas Transmission

2024-2026 General Rate Application (GRA)

On July 31, 2023, ATCO Pipelines filed a GRA for 2024 through 2026. A comprehensive Negotiated Settlement Agreement (NSA) was reached with all participating interveners in December 2023, and an application was filed with the AUC in January 2024. On March 27, 2024, the AUC issued a decision approving the NSA for 2024 and 2025 in its entirety but limited the approval to two years.

REVENUES

ATCO EnPower revenues of $91 million in the first quarter of 2024 were $35 million lower compared to the same period in 2023 mainly due to lower flow-through natural gas storage revenues and lower pricing realized at the Forty Mile wind facility. Lower revenues were partially offset by stronger seasonal spreads in natural gas storage services.

ADJUSTED EARNINGS

	Three Months Ended March 31		
($ millions)	**2024**	**2023**	**Change**
Electricity Generation [(1)]	**(2)**	7	(9)
Storage & Industrial Water [(1)]	**10**	8	2
Total ATCO EnPower [(2)]	**8**	15	(7)

(1) Non-GAAP financial measures. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Equity Owners of the Company" in this MD&A.

(2) Total of segments measure. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Equity Owners of the Company" in this MD&A.

ATCO EnPower adjusted earnings of $8 million in the first quarter of 2024 were $7 million lower than the same period in 2023 mainly due to lower capture pricing at the Forty Mile wind facility, partially offset by stronger seasonal spreads in natural gas storage services.

Electricity Generation

Non-regulated electricity activities include the supply of electricity from solar, wind, hydroelectric, and distributed generation facilities in Canada, Mexico, and Chile.

Electricity Generation adjusted earnings in the first quarter of 2024 were $9 million lower compared to the same period in 2023 mainly due to lower capture pricing realized at the Forty Mile wind facility.

The following table compares ATCO EnPower's renewable portfolio performance in Canada for the first quarter of 2024 and 2023.

	Three Months Ended March 31		
	2024	**2023**	**Change**
Capacity Share [(1)] ***(MW)***	359	256	103
Average Availability (%)	87	91	(4)
Generation (MWh)	220,997	207,520	13,477
Wind	192,175	202,891	(10,716)
Solar	28,789	—	28,789
Hydroelectric	33	4,629	(4,596)
% Merchant	21	82	(61)
% PPA	79	18	61
Average Realized Price *($)*	84	106	(22)

(1) Capacity share represents the percentage of nameplate capacity owned by ATCO EnPower, except Deerfoot and Barlow solar which is represented at 100 per cent because it is a controlled subsidiary.

The average realized price related to the renewable portfolio decreased from an average of $106 per MWh in the first quarter of 2023 to an average of $84 per MWh in the first quarter of 2024. Merchant generation decreased as we increased the percentage of contracted generation in 2023 in response to expected lower merchant pricing and as we advanced project financings on certain assets.

Generation from the renewable portfolio was impacted by lower wind and hydroelectric generation, even as total generation increased after considering solar generation added from the Barlow, Deerfoot and Empress solar assets which achieved commercial operations in the second half of 2023. In the first quarter of 2024, the Alberta wind fleet capacity factor has been as much as five to fifteen per cent below the 5-year daily moving average. Reservoir and river flows are also at a thirty-year low for this time of year due to drought conditions, affecting our Southern Alberta hydroelectric facility. In looking specifically at the decrease in wind generation of 10,716 MWh in the first quarter of 2024 as compared to the first quarter of 2023, it is important to note that ATCO EnPower's near-term development project is solar based and is expected to help balance our exposure to wind generation in our overall portfolio.

Storage & Industrial Water

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

Storage & Industrial Water adjusted earnings of $10 million in the first quarter of 2024 were $2 million higher compared to the same period in 2023 mainly due to stronger seasonal spreads in natural gas storage services.

ATCO Australia

REVENUES

ATCO Australia revenues of $53 million in the first quarter of 2024 were comparable to the same period in 2023.

ADJUSTED EARNINGS

	Three Months Ended March 31		
($ millions)	**2024**	**2023**	**Change**
ATCO Gas Australia [1]	**10**	18	(8)
ATCO Power Australia [1]	**1**	(2)	3
Total ATCO Australia [2]	**11**	16	(5)

(1) Non-GAAP financial measures. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Equity Owners of the Company" in this MD&A.

(2) Total of segments measure. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Equity Owners of the Company" in this MD&A.

ATCO Australia adjusted earnings of $11 million in the first quarter of 2024 were $5 million lower than the same period in 2023 mainly due to the impact of inflation indexing on rate base and increased 2024 project costs in ATCO Gas Australia, partially offset by higher rates and increased system volumes in ATCO Gas Australia, and higher project development costs in ATCO Power Australia in 2023.

Detailed information about the activities and financial results of ATCO Australia's businesses is provided in the following sections.

ATCO Gas Australia

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

ATCO Gas Australia adjusted earnings of $10 million in the first quarter of 2024 were $8 million lower than the same period in 2023 mainly due to the impact of inflation indexing on rate base and increased project costs, partially offset by higher rates and increased system volumes.

In the first quarter of 2023, Australia inflation indexing reflected a full year inflation assumption of 4 to 5 per cent. It is expected that inflation for 2024 will be 3 per cent.

ATCO Power Australia

ATCO Power Australia develops, builds, owns and operates energy and infrastructure assets, including the two natural gas fired generation plants: Karratha in the Pilbara region of Western Australia, and Osborne in Adelaide, South Australia.

ATCO Power Australia adjusted earnings of $1 million in the first quarter of 2024 were $3 million higher than the same period in 2023 mainly due to the timing of project development costs and engine repairs at the Karratha facility in 2023.

RECENT DEVELOPMENTS

South Australian Hydrogen Jobs Plan

In October 2023, the South Australian Government announced an Early Contractor Involvement (ECI) agreement with ATCO Australia and our joint venture partner BOC Linde for the South Australian Hydrogen Jobs Plan project, a 250-MW hydrogen production facility, a 200-MW hydrogen-fuelled electricity generation facility and a hydrogen storage facility. Throughout the first quarter of 2024, progress continues on developing a contract offer price, and negotiation of engineering, procurement, construction and operations and maintenance contracts from delivery and operations of the project. The ECI phase of the project is expected to be completed by the third quarter of 2024.

ATCO AUSTRALIA REGULATORY DEVELOPMENTS

Access Arrangement 6 (AA6)

ATCO Gas Australia submitted AA6 to the Economic Regulation Authority (ERA) on September 1, 2023. Subsequent to quarter end, the ERA released a draft AA6 decision in April 2024, with a final decision due in late third quarter 2024. ATCO Gas Australia is reviewing the draft decision and has six weeks to submit responses to the ERA.

Corporate & Other

Corporate & Other segment includes ATCOenergy and Rümi which provides retail electricity and natural gas services, home maintenance services and professional home advice in Alberta. Corporate & Other includes the global corporate head office in Calgary, Canada, and the Mexico corporate head office in Mexico City, Mexico. Corporate & Other also includes CU Inc. and Canadian Utilities preferred share dividend and debt expenses.

REVENUES

Corporate & Other revenues of $60 million in the first quarter of 2024 were $7 million lower compared to the same period in 2023 mainly due to lower prices for retail electricity and natural gas partially offset by an increase in retail customers in ATCOenergy.

ADJUSTED EARNINGS

	Three Months Ended March 31		
($ millions)	**2024**	**2023**	**Change**
Corporate & Other [1]	**(15)**	(21)	6

(1) Total of segments measure. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Equity Owners of the Company" in this MD&A.

Including intersegment eliminations, Corporate & Other adjusted earnings in the first quarter of 2024 were $6 million higher compared to the same period in 2023 mainly due to the timing of certain expenditures and higher interest income earned.

RECENT DEVELOPMENTS

Executive Appointments

Effective March 1, 2024, Katie Patrick, Executive Vice President, Chief Financial & Investment Officer, ATCO, broadened her portfolio to include Chief Financial Officer for Canadian Utilities.

SUSTAINABILITY, CLIMATE CHANGE AND ENERGY TRANSITION

Within the ATCO group of companies, 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' ultimate parent company, ATCO.

SUSTAINABILITY REPORTING AND ESG TARGETS

Our 2023 Sustainability Report, to be published in May 2024, focuses on the following material topics:

- Energy Transition and Environment - energy transition and climate change, greenhouse gas (GHG) emissions, and land use and biodiversity;
- Resilience and Safety - system reliability and availability, emergency preparedness and response, employee safety and well-being, public health and safety, and cybersecurity;
- People and Partners - Indigenous relations, economic opportunities and reconciliation, community engagement and investment, customer experience and satisfaction, human capital development, retention, and attraction, and diversity, equity and inclusion; and
- Governance and Responsible Business – corporate governance, business ethics, government relations and political advocacy, and responsible supply chain.

In January 2022, we released our net zero by 2050 aspiration as well as an initial set of 2030 ESG Targets. Our Board of Directors recognizes and fully supports our net-zero aspiration and 2030 targets, and agrees that these aspirations and targets align with our strategic direction. 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 Standards, the Sustainability Accounting Standards Board, the Financial Stability Board's Task Force on Climate-related Financial Disclosures' (TCFD) recommendations, and the new IFRS International Sustainability Standards Board (ISSB) Standards.

The 2023 Sustainability Report, ESG Datasheet, materiality assessment, and additional details and other disclosures will be published in May 2024 and made available on our website at www.canadianutilities.com.

CLIMATE CHANGE AND ENERGY TRANSITION

To support the energy transition and 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.

PEOPLE & PARTNERS

Indigenous Relations, Economic Opportunities & Reconciliation

New Northland Utilities Enterprises Ltd. (NUE) Brand Name

Naka Power is the new brand name for Northland Utilities Enterprises Ltd. (NUE), a joint partnership between Denendeh Investments Incorporated (DII) and ATCO Electric Ltd. In most Dene First Nations languages, Naka ("nahkah") is the word for the unique phenomenon known as the aurora borealis, or northern lights. The name change honours the equal partnership with DII with a name that represents a shared commitment to the prosperity of the North.

Naka Power is an electric utility company operating in the Northwest Territories, Canada for over 70 years, connecting communities, forging partnerships, and powering essentials. In 2022, the Company and DII entered into a share purchase agreement increasing DII's ownership interest in NUE to 50 per cent, highlighting our continued commitment to foster community ownership and self-sustaining economic development.

POLICY/REGULATORY UPDATE

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

New Renewables Projects Approval Pause Ended with Updated Alberta Policy Guidance

On February 29, 2024, the pause for approvals on new renewable electricity generation projects (introduced August 2023) ended. At the same time, the Government of Alberta updated policy guidance on developing renewable power projects. This policy guidance addresses issues related to the use of agricultural lands, buffer zones, reclamation security, viewscape impacts, Crown lands, and municipal engagement that were considered during the pause.

Modernizing Alberta's Power Grid

The Government of Alberta enacted the *Electricity Statutes (Modernizing Alberta's Electricity Grid) Amendment Act, 2022* effective March 5, 2024. The Act and its accompanying regulatory amendments are intended to help Alberta's electricity system adapt to new technologies and the changing ways that electricity producers and consumers interact with the grid.

Alberta Electricity Market Regulations

In March 2024, based on the report and recommendation of the Alberta Market Surveillance Administrator to address interim economic and physical withholding, the Minister of Affordability and Utilities announced the Market Power Mitigation Regulation and the Supply Cushion Regulation. The Alberta Electric System Operator (AESO) has until July 1, 2024, to create relevant rules to support these interim regulations which expire on November 30, 2027.

Alberta Restructured Energy Market Recommendation

In March 2024, the Minister of Affordability and Utilities directed the AESO to move forward with stakeholder engagement and detailed design for a Restructured Energy Market (REM) for the Alberta electricity grid. To implement the REM prior to the expiry of the interim regulations in 2027 (mentioned above), the AESO has aggressive timelines and plans to file an application for approval of the rules to enable the REM with the AUC in late 2024 or early 2025.

Utilities Affordability Statutes Amendment Act, 2024

Subsequent to quarter end, on April 18, 2024, the Government of Alberta announced changes to the Regulated Rate Option (RRO) to mitigate price volatility, effective January 1, 2025. Legislation to implement the changes was introduced in the Alberta legislature on April 22, 2024, with regulations and more implementation details to follow before fall of this year. The changes may have implications for the retail electricity sector beyond the RRO providers.

OTHER EXPENSES AND INCOME

A financial summary of other consolidated expenses and income items for the first quarter of 2024 and 2023 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)	**2024**	**2023**	**Change**
Operating costs	**512**	502	10
Depreciation and amortization	**176**	168	8
Earnings from investment in joint ventures	**19**	19	—
Net finance costs	**106**	97	9
Income tax expense	**71**	87	(16)

OPERATING COSTS

Operating costs, which are total costs and expenses less depreciation and amortization, increased by $10 million in the first quarter of 2024 compared to the same period in 2023. Higher operating costs were mainly due to lower unrealized and realized gains on derivative financial instruments in ATCOenergy, and higher flow-through expense in Natural Gas Distribution for third party transmission fees, partially offset by lower fuel costs at ATCO EnPower's natural gas storage facilities, and lower franchise fees at Natural Gas Distribution.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization increased by $8 million in the first quarter of 2024 compared to the same period in 2023 mainly due to the Barlow, Deerfoot and Empress Solar projects reaching commercial operations throughout 2023 in the ATCO EnPower business, and ongoing investment in the Regulated Utilities.

EARNINGS FROM INVESTMENT IN JOINT VENTURES

Earnings from investment in joint ventures is mainly comprised of Canadian Utilities' ownership positions in electricity generation plants, Naka Power (rebranded name for Northland Utilities Enterprises Ltd.) electricity operations in the Northwest Territories, LUMA Energy electricity operations and maintenance in Puerto Rico, and the Strathcona Storage Limited Partnership, which operates hydrocarbon storage facilities at the ATCO Heartland Energy Centre near Fort Saskatchewan, Alberta.

Earnings from investment in joint ventures in the first quarter of 2024 were comparable to the same period in 2023.

NET FINANCE COSTS

Net finance costs increased by $9 million in the first quarter of 2024 mainly due to higher interest expense on additional debt issued to fund ongoing capital investment in the Regulated Utilities, partially offset by higher interest income from cash investments.

INCOME TAX EXPENSE

Income taxes were lower by $16 million in the first quarter of 2024 compared to the same period in 2023 due to lower IFRS earnings before income taxes primarily driven by lower unrealized and realized gains on derivative financial instruments.

LIQUIDITY AND CAPITAL RESOURCES

Our financial position is supported by our diversified portfolio with a structured foundation of regulated and long-term contracted businesses. 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. Liquidity is generated by cash flow from operations and is supported by appropriate levels of cash and available committed credit facilities.

CREDIT RATINGS

The following table shows the credit ratings assigned to Canadian Utilities, CU Inc. and ATCO Gas Australia Pty Ltd (ATCO Gas Australia) at March 31, 2024.

	DBRS	Fitch
Canadian Utilities		
Issuer	A	A-
Senior unsecured debt	A	A-
Commercial paper	R-1 (low)	F2
Preferred shares	PFD-2	BBB
CU Inc.		
Issuer	A (high)	A-
Senior unsecured debt	A (high)	A
Commercial paper	R-1 (low)	F2
Preferred shares	PFD-2 (high)	BBB+

S&P Global Ratings has assigned Canadian Utilities' subsidiary ATCO Gas Australia [1] a BBB+ issuer and senior unsecured debt credit rating with a stable outlook.

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

On February 23, 2024, Fitch Ratings affirmed its 'A-' issuer rating with a stable outlook on both Canadian Utilities and CU Inc.

On March 21, 2024, 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, 2024, Canadian Utilities and its subsidiaries had the following lines of credit.

($ millions)	Total	Used	Available
Long-term committed	**2,382**	681	1,701
Short-term committed	**310**	310	—
Uncommitted	**650**	268	382
Total	**3,342**	1,259	2,083

Of the $3,342 million in total lines of credit, $650 million was in the form of uncommitted credit facilities with no set maturity date. The other $2,692 million in credit lines was committed with maturities between 2024 and 2027, and may be extended at the option of the lenders.

Of the $1,259 million in lines of credit used, $643 million was related to ATCO Gas Australia. Long-term committed credit lines are used to satisfy all of ATCO Gas Australia's term debt financing needs. The majority of the remaining usage is related to the funding of the renewable energy portfolio acquisition in ATCO EnPower and the issuance of letters of credit.

CONSOLIDATED CASH FLOW

At March 31, 2024, the Company's cash position was $9 million. This represents a decrease of $548 million compared to the same period in 2023 and a $198 million decrease from December 31, 2023. Major movements are outlined in the following table:

	Three Months Ended March 31		
($ millions)	**2024**	**2023**	**Change**
Cash position, beginning of period	**207**	698	(491)
Cash from (used in):			
Operating activities	**502**	540	(38)
Investing activities	**(323)**	(1,132)	809
Financing activities	**(377)**	452	(829)
Foreign currency translation	**—**	(1)	1
Cash position, end of the period	**9**	557	(548)

The opening cash position of $207 million in the first quarter of 2024 was $491 million lower compared to the same period in 2023 mainly due to the $190 million investment in marketable securities in February 2023, the funding of capital projects throughout 2023, and the timing of payables.

Operating Activities

Cash flows from operating activities were $502 million in the first quarter of 2024, $38 million lower than the same period in 2023 mainly due to lower customer contributions in ATCO Energy Systems, and lower realized gains on derivative financial instruments in ATCOenergy.

Investing Activities

Cash flows used in investing activities were $323 million in the first quarter of 2024, $809 million lower than the same period in 2023 mainly due to the 2023 acquisition of the renewable energy portfolio, and the investments in marketable securities in 2023, partially offset by ATCO Energy Systems' increased capital expenditures related to ongoing system upgrades and growth projects for new customers.

A reconciliation of capital investment to capital expenditures and information pertaining to marketable securities is summarized below.

Cash Used for Capital Investment[1] and Capital Expenditures

Capital investment and capital expenditures for the first quarter of 2024 and 2023 are shown in the following table.

	Three Months Ended March 31		
($ millions)	**2024**	**2023**	**Change**
ATCO Energy Systems			
Electricity	**150**	145	5
Natural Gas	**131**	96	35
	281	241	40
ATCO EnPower	**14**	42	(28)
ATCO Australia	**16**	20	(4)
CU Corporate & Other	**5**	1	4
Canadian Utilities Total Capital Expenditures (1) (2)	**316**	304	12
Capital Expenditures in joint ventures			
ATCO Energy Systems			
Electricity	**1**	1	—
ATCO EnPower	**1**	—	1
Business Combination			
ATCO EnPower	**—**	691	(691)
Canadian Utilities Total Capital Investment (3)	**318**	996	(678)

(1) Includes additions to property, plant and equipment, intangibles and $3 million (2023 - $6 million) of capitalized interest during construction for the first quarter of 2024.

(2) Includes $22 million for the first quarter of 2024 (2023 - $56 million) of capital expenditures, mainly in ATCO Energy Systems, that were funded with the assistance of customer contributions and government grants.

(3) Non-GAAP financial measure. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Capital Investment to Capital Expenditures" in this MD&A.

Total capital investment of $318 million in the first quarter of 2024 was $678 million lower compared to the same period in 2023 mainly due to the acquisition of the renewable energy portfolio in January 2023.

Total capital expenditures of $316 million in the first quarter of 2024 were $12 million higher compared to the same period in 2023 mainly due to increased spending related to ongoing system upgrades and growth projects for new customers in ATCO Energy Systems, partially offset by decreased capital spending in the ATCO EnPower segment as the Barlow, Deerfoot and Empress Solar projects reached commercial operations throughout 2023. The 2023 renewable energy portfolio acquisition within ATCO EnPower is excluded as business combinations are not included in capital expenditures.

Marketable Securities

In February 2023, the Company invested excess cash of $190 million in a diversified portfolio of marketable securities, with the objective of delivering competitive returns and maintaining a high degree of liquidity. The Company's marketable securities are actively managed by an external investment manager with the majority of the investments being highly liquid and redeemable within seven business days.

Financing Activities

Cash flows used in financing activities were $377 million in the first quarter of 2024, $829 million lower than the same period in 2023 mainly due to the 2023 financing related acquisition of the renewable energy portfolio in January 2023, and the repayment of long-term debt in CU Inc. in the first quarter of 2024.

Information pertaining to financing activities is summarized below.

[1] *Non-GAAP financial measure. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Capital Investment to Capital Expenditures" in this MD&A*.

Dividends and Common Shares

We have increased our common share dividend each year since 1972, a 52-year track record. Dividends paid to Class A and Class B share owners totaled $113 million net of dividends reinvested in the first quarter of 2024.

On April 11, 2024, the Board of Directors declared a second quarter dividend of 45.31 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.

Debenture Repayments

On March 6, 2024, Canadian Utilities' subsidiary, CU Inc., repaid $120 million of 6.215 per cent debentures upon maturity.

Normal Course Issuer Bid (NCIB)

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 September 7, 2023, we commenced an NCIB to purchase up to 2,018,434 outstanding Class A shares. The bid will expire on September 6, 2024. To date, no shares have been purchased.

Dividend Reinvestment Plan (DRIP)

In the first quarter of 2024, Canadian Utilities issued 337,632 Class A shares under the DRIP using re-invested dividends of $10 million.

Base Shelf Prospectus - Canadian Utilities

On September 14, 2023, Canadian Utilities filed a short-form base shelf prospectus that permits it to issue Class A non-voting shares, preferred shares and debt securities, over the 25-month life of the prospectus. As of April 30, 2024, no securities had been issued under the prospectus.

Future Financing Alternatives

Significant opportunities for growth continue to be expected in connection with the energy transition, including existing and new opportunities within both ATCO Energy Systems and ATCO EnPower. To support this potential growth, Canadian Utilities intends to explore various financing alternatives. In the short-term we are considering partnership options. In the long-term we will continue to evaluate both private and public sources of funding. We are also considering the possibility of creating ATCO EnPower as a separate entity.

SHARE CAPITAL

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

At April 30, 2024, we had outstanding 204,665,360 Class A shares, 66,598,854 Class B shares, and options to purchase 2,433,750 Class A shares.

CLASS A NON-VOTING SHARES AND CLASS B COMMON SHARES

Class A and Class B share owners are entitled to share equally, on a share for share basis, in all dividends the Company declares on either of such classes of shares as well as in the Company’s remaining property on dissolution. Class B share owners are entitled to vote and to exchange at any time each share held for one Class A share.

If a take-over bid is made for the Class B shares and if it would result in the offeror owning more than 50 per cent of the outstanding Class B shares (excluding any Class B shares acquired upon conversion of Class A shares), the Class A share owners are entitled, for the duration of the take-over bid, to exchange their Class A shares for Class B shares and to tender the newly exchanged Class B shares to the take-over bid. Such right of exchange and tender is conditional on completion of the applicable take-over bid.

In addition, Class A share owners are entitled to exchange their shares for Class B shares if ATCO Ltd., the Company's controlling share owner, ceases to own or control, directly or indirectly, more than 10,000,000 of the issued and outstanding Class B shares. In either case, each Class A share is exchangeable for one Class B share, subject to changes in the exchange ratio for certain events such as a stock split or rights offering.

Of the 12,800,000 Class A shares authorized for grant of options under our stock option plan, 10,322,350 Class A shares were available for issuance at March 31, 2024. 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, 2022 through March 31, 2024.

($ millions, except for per share data)	Q2 2023	Q3 2023	Q4 2023	Q1 2024
Revenues	879	812	974	**1,091**
Earnings attributable to equity owners of the Company	105	125	185	**242**
Earnings attributable to Class A and B shares	86	105	166	**223**
Earnings per Class A and Class B share *($)*	0.32	0.39	0.61	**0.82**
Diluted earnings per Class A and Class B share *($)*	0.32	0.39	0.61	**0.82**
Adjusted earnings per Class A and Class B share *($)*	0.37	0.32	0.71	**0.83**
Adjusted earnings (loss) [(1)]				
ATCO Energy Systems [(1)]	97	88	179	**221**
ATCO EnPower [(1)]	9	8	14	**8**
ATCO Australia [(1)]	17	17	9	**11**
Corporate & Other and Intersegment Eliminations [(1)]	(23)	(26)	(10)	**(15)**
Total adjusted earnings [(1)]	100	87	192	**225**

($ millions, except for per share data)	Q2 2022	Q3 2022	Q4 2022	Q1 2023
Revenues	933	898	1,107	1,131
Earnings attributable to equity owners of the Company	151	109	145	292
Earnings attributable to Class A and Class B shares	134	89	125	273
Earnings per Class A and Class B share *($)*	0.50	0.33	0.46	1.01
Diluted earnings per Class A and Class B share *($)*	0.50	0.32	0.46	1.01
Adjusted earnings per Class A and Class B share *($)*	0.51	0.45	0.66	0.81
Adjusted earnings (loss) [(1)]				
ATCO Energy Systems [(1)]	130	105	164	207
ATCO EnPower [(1)]	11	17	12	15
ATCO Australia [(1)]	25	25	16	16
Corporate & Other and Intersegment Eliminations [(1)]	(30)	(27)	(12)	(21)
Total adjusted earnings [(1)]	136	120	180	217

(1) Total of segments measure. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Equity Owners of the Company" in this MD&A.

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

ADJUSTED EARNINGS

Adjusted earnings in the second and third quarters of 2023 were lower compared to the same periods in 2022 mainly due to cost efficiencies generated by Electricity Distribution and Natural Gas Distribution over the second generation Performance Based Regulation term now being passed onto customers under the 2023 Cost of Service rebasing framework, and the impact of inflation indexing on rate base in 2022 in ATCO Australia.

Adjusted earnings in the fourth quarter of 2023 were higher than the same period in 2022 mainly due to additional earnings from the Forty Mile and Adelaide wind assets acquired in 2023 and earnings from the solar assets energized in 2023 in ATCO EnPower, growth in rate base and new cost efficiencies realized in 2023 in Electricity Distribution and Natural Gas Distribution, and lower operating costs in International Electricity Operations.

Adjusted earnings in the first quarter of 2024 were higher than the same period in 2023 mainly due to increased ROE and growth in rate base in ATCO Energy Systems' businesses. Higher adjusted earnings were partially offset by lower capture pricing at the Forty Mile wind facility at ATCO EnPower, and the impact of inflation indexing in ATCO Australia.

EARNINGS ATTRIBUTABLE TO EQUITY OWNERS OF THE COMPANY

Earnings attributable to equity owners of the Company include 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 fourth quarter of 2022, a reversal of impairment of $4 million (after-tax) was recorded mainly related to ATCO EnPower's joint venture investment in the Osborne electricity cogeneration facility located in South Australia. The reversal resulted from an improvement in the future outlook of power market prices.
- In the first quarter of 2023, the Company recognized legal and other costs of $9 million (after-tax) related to the early termination of the Wipro Master Service Agreements (MSAs) for managed IT services. This matter was concluded on February 26, 2023.
- In the second quarter of 2023, the Company recognized an impairment of $8 million (after-tax) relating to certain electricity generation assets in Electricity Transmission. These assets had been removed from service as it was determined that they no longer had any remaining value.
- In the fourth quarter of 2023, the Company recognized an impairment of $36 million (after-tax) of certain computer software assets which are not expected to be used in the Company.

OTHER FINANCIAL AND NON-GAAP MEASURES

This MD&A should be read with the Company's unaudited interim consolidated financial statements for the three months ended March 31, 2024. 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).

This MD&A contains various "total of segments measures" (as such term is defined in NI 52-112), "non-GAAP financial measures" (as such term is defined in NI 52-112), and "non-GAAP ratios" (as such term is defined in NI 52-112), which are described in further detail below.

Total of Segments Measures

NI 52-112 defines a "total of segments measure" as a financial measure disclosed by an issuer that is a subtotal or total of two or more reportable segments of an entity, is not a component of a line item disclosed in the primary financial statements of the entity, is disclosed in the notes to the financial statements of the entity, and is not disclosed in the primary financial statements of the entity.

Consolidated adjusted earnings (loss) and adjusted earnings (loss) for each of ATCO Energy Systems, ATCO EnPower, ATCO Australia, and Corporate & Other are total of segments measures, as defined in NI 52-112.

Non-GAAP Financial Measures

NI 52-112 defines a "non-GAAP financial measure" as a financial measure disclosed by an issuer that (a) depicts the historical or expected future financial performance, financial position or cash flow of an entity, (b) with respect to its composition, excludes an amount that is included in, or includes an amount that is excluded from, the composition of the most directly comparable financial measure disclosed in the primary financial statements of the entity, (c) is not disclosed in the financial statements of the entity, and (d) is not a ratio, fraction, percentage or similar representation.

All references to capital investment, and references to adjusted earnings (loss) for each of Electricity Distribution, Electricity Transmission, International Electricity Operations, Total Electricity, Natural Gas Distribution, Natural Gas Transmission, Total Natural Gas, ATCO Gas Australia, ATCO Power Australia, Electricity Generation, and Storage & Industrial Water, are non-GAAP financial measures, as defined in NI 52-112.

Non-GAAP Ratio

NI 52-112 defines a "non-GAAP ratio" as a financial measure disclosed by an issuer that (a) is in the form of a ratio, fraction, percentage or similar representation, (b) has a non-GAAP financial measure as one or more of its components, and (c) is not disclosed in the financial statements of the entity.

Adjusted earnings ($ per share) are a non-GAAP ratio, as defined in NI 52-112.

Adjusted earnings (loss) are defined as earnings (loss) 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 (loss) 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 (loss) present earnings (loss) from rate-regulated activities on the same basis as was used prior to adopting IFRS Accounting Standards- that basis being the US accounting principles for rate-regulated activities. Adjusted earnings (loss) are presented in Note 3 of the unaudited interim consolidated financial statements. Adjusted earnings (loss) per Class A and Class B share are calculated by dividing adjusted earnings (loss) by the weighted average number of shares outstanding for the period.

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

Total of segments measures are most directly comparable to total earnings (loss) attributable to equity owners of the Company. Comparable total of segments measures for the same period in 2023 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 (loss) attributable to equity owners of the Company is presented in this MD&A.

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

RECONCILIATION OF ADJUSTED EARNINGS TO EARNINGS ATTRIBUTABLE TO EQUITY OWNERS OF THE COMPANY

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

2024 / 2023	ATCO Energy Systems	ATCO EnPower	ATCO Australia	Corporate & Other	Intersegment Eliminations	Consolidated
Revenues	**887**	**91**	**53**	**101**	**(41)**	**1,091**
	885	126	53	115	(48)	1,131
Adjusted earnings (loss)	**221**	**8**	**11**	**(15)**	**—**	**225**
	207	15	16	(21)	—	217
Unrealized gains on mark-to-market forward and swap commodity contracts	**—**	**3**	**—**	**8**	**—**	**11**
	—	—	—	61	—	61
Rate-regulated activities	**(1)**	**—**	**(6)**	**—**	**—**	**(7)**
	20	—	(11)	—	—	9
IT Common Matters decision	**(6)**	**—**	**—**	**—**	**—**	**(6)**
	(5)	—	—	—	—	(5)
Transition of managed IT services	**—**	**—**	**—**	**—**	**—**	**—**
	(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	**214**	**11**	**5**	**12**	**—**	**242**
	220	15	(2)	59	—	292

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 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 Accounting Standards.
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:

	Three Months Ended March 31		
($ millions)	**2024**	**2023**	**Change**
Additional revenues billed in current period			
Future removal and site restoration costs (1)	**31**	30	1
Impact of colder temperatures (2)	**5**	2	3
Revenues to be billed in future periods			
Deferred income taxes (3)	**(33)**	(36)	3
Impact of inflation on rate base (4)	**(5)**	(10)	5
Settlement of regulatory decisions and other items			
Distribution rate relief (5)	**—**	5	(5)
Other (6)	**(5)**	18	(23)
	(7)	9	(16)

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

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

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

(4) The inflation-indexed portion of ATCO Gas Australia's 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, Electricity Distribution and Natural 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, Electricity 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 for the first quarter of 2024 was $6 million (after-tax) (2023 - $5 million (after-tax)).

TRANSITION OF MANAGED IT SERVICES

In the first quarter of 2023, the Company recognized additional legal and other costs of $9 million (after-tax) related to the Wipro MSAs matter that was concluded on February 26, 2023.

ATCO Energy Systems

The following table reconciles adjusted earnings for the ATCO Energy Systems business unit to the directly comparable financial measure, earnings attributable to equity owners of the Company.

($ millions) — **Three Months Ended March 31**

2024 / 2023	Canadian Utilities Limited							
	Electricity				Natural Gas			ATCO Energy Systems
	Electricity Distribution	Electricity Transmission	International Electricity	Consolidated Electricity	Natural Gas Distribution	Natural Gas Transmission	Consolidated Natural Gas	
Adjusted earnings	**41**	**46**	**13**	**100**	**99**	**22**	**121**	**221**
	38	44	12	94	88	25	113	207
Rate-regulated activities	**(13)**	**(5)**	**—**	**(18)**	**16**	**1**	**17**	**(1)**
	10	(6)	—	4	18	(2)	16	20
IT Common Matters decision	**(2)**	**(1)**	**—**	**(3)**	**(2)**	**(1)**	**(3)**	**(6)**
	(2)	(1)	—	(3)	(2)	—	(2)	(5)
Transition of managed IT services	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	(1)	—	—	(1)	(1)	—	(1)	(2)
Earnings attributable to equity owners of the Company	**26**	**40**	**13**	**79**	**113**	**22**	**135**	**214**
	45	37	12	94	103	23	126	220

ATCO EnPower

The following table reconciles adjusted earnings for the ATCO EnPower business unit to the directly comparable financial measure, earnings attributable to equity owners of the Company.

($ millions) — **Three Months Ended March 31**

2024 / 2023	Canadian Utilities Limited		
	Electricity Generation	Storage & Industrial Water	ATCO EnPower
Adjusted earnings (loss)	**(2)**	**10**	**8**
	7	8	15
Unrealized gains on mark-to-market forward and swap commodity contracts	**3**	**—**	**3**
	—	—	—
Earnings attributable to equity owners of the Company	**1**	**10**	**11**
	7	8	15

ATCO Australia

The following table reconciles adjusted earnings for the ATCO Australia business unit to the directly comparable financial measure, earnings attributable to equity owners of the Company.

($ millions)			**Three Months Ended March 31**
2024 / 2023	**Canadian Utilities Limited**		
	ATCO Gas Australia	**ATCO Power Australia**	**ATCO Australia**
Adjusted earnings (loss)	**10**	**1**	**11**
	18	(2)	16
Rate-regulated activities	**(6)**	**—**	**(6)**
	(11)	—	(11)
Transition of managed IT services	**—**	**—**	**—**
	(6)	(1)	(7)
Earnings (loss) attributable to equity owners of the Company	**4**	**1**	**5**
	1	(3)	(2)

RECONCILIATION OF CAPITAL INVESTMENT TO CAPITAL EXPENDITURES

Capital investment is a non-GAAP financial measure defined as cash used for capital expenditures, business combinations, and cash used in the Company's share of capital expenditures in joint ventures. In management's opinion, capital investment reflects the Company's total cash investment in assets. Capital expenditures include 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**
2024 / 2023	**ATCO Energy Systems**	**ATCO EnPower**	**ATCO Australia**	**CU Corporate & Other**	**Consolidated**
Capital Investment	**282**	**15**	**16**	**5**	**318**
	242	733	20	1	996
Capital Expenditures in joint ventures	**(1)**	**(1)**	**—**	**—**	**(2)**
	(1)	—	—	—	(1)
Business Combination [(1)]	**—**	**—**	**—**	**—**	**—**
	—	(691)	—	—	(691)
Capital Expenditures	**281**	**14**	**16**	**5**	**316**
	241	42	20	1	304

(1) Business combination refers to the acquisition of the renewable energy portfolio in the ATCO EnPower segment in 2023.

OTHER FINANCIAL INFORMATION

INTERNAL CONTROL OVER FINANCIAL REPORTING

The certification of interim filings for the interim period ended March 31, 2024, requires that the Company disclose in the interim MD&A any changes in the Company's internal controls over financial reporting (ICFR) that occurred during the period that have materially affected, or are reasonably likely to materially affect, the Company's ICFR. The Company confirms that no such changes were identified in the Company's ICFR during the three months beginning on January 1, 2024 and ending on March 31, 2024.

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.

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: strategic plans and targets, including ESG targets and the aspirations to achieve net zero GHG emissions by 2050; expected emissions reductions, and decarbonization to enable customers to transition to lower emitting sources of energy while maintaining safety, reliability and affordability; the expected timing of commencement, completion or commercial operations of activities, contracts and projects; the expected term of contracts; the impact or benefits of contracts, including economic and other benefits for the Company and its partners and counterparties; expected inflation; the payment of dividends; expected growth and diversification and expansion opportunities; the potential impacts of climate related effects on current assets; the expected balancing effect of ATCO EnPower's near-term development pipeline of projects; the expected hydrogen production, electricity generation and hydrogen storage capacity of the facilities planned in connection with the South Australian Hydrogen Jobs Plan project and the expected timing of the project; the expected timing and impact of regulatory decisions and new regulatory announcements; the Company's liquidity, capital resources and contractual financial obligations and other commitments; and potential financing alternatives, including the possibility of creating ATCO EnPower as a separate entity.

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 meet its initial set of 2030 ESG targets and 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 ESG targets; continuing collaboration with certain business partners and engagement with new business partners, and 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, regulations and government policies; regulatory decisions; competitive factors in the industries in which the Company operates; prevailing market and economic conditions; credit risk; interest rate fluctuations; the availability and cost of labour, materials, services, infrastructure, and future demand for resources; the development and execution of projects, including development projects, not proceeding on schedule or at all, or at currently estimated budgets; the availability of financing sources for development projects on acceptable terms; 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; potential termination or breach of contract by contract counterparties; the occurrence of unexpected events such as fires, extreme weather conditions, explosions, blow-outs, equipment failures, transportation incidents, and other accidents or similar events, global pandemics, geopolitical tensions and wars; 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 the “Business Risks and Risk Management” section in the Company's Management's Discussion and Analysis for the year ended December 31, 2023.

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

Additional information relating to the Company, including the Company’s audited consolidated financial statements for the year ended December 31, 2023, unaudited interim consolidated financial statements for the three months ended March 31, 2024, and most recent Annual Information Form dated February 28, 2024, can be found on SEDAR+ at www.sedarplus.ca.

Copies of these documents may also 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. Corporate information is also available on the Company's website at www.canadianutilities.com.

GLOSSARY

AUC means the Alberta Utilities Commission.

Class A shares means Class A non-voting common 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 ATCO Energy Systems. These contributions are made when the estimated revenue is less than the cost of providing service.

DRIP means Dividend Reinvestment Plan.

ESG means Environmental, Social and Governance.

GAAP means Canadian generally accepted accounting principles.

GHG means greenhouse gas.

IFRS means International Financial Reporting Standards.

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

PBR means Performance Based Regulation.

Regulated Utilities means Electricity Distribution, Electricity Transmission, Natural Gas Distribution, Natural Gas Transmission and ATCO Gas Australia.

ROE means return on equity.