CANADIAN UTILITIES LIMITED
An ATCO Company

CANADIAN UTILITIES LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2021

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 year ended December 31, 2021.

This MD&A was prepared as of February 23, 2022, and should be read with the Company's audited consolidated financial statements (2021 Consolidated Financial Statements) for the year ended December 31, 2021. Additional information, including the Annual Information Form (2021 AIF) is available on SEDAR at www.sedar.com.

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

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

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CANADIAN UTILITIES CORE MISSION AND VALUES

EXCELLENCE: THE HEART & MIND OF ATCO

"Going far beyond the call of duty. Doing more than others expect. This is what excellence is all about. It comes from striving, maintaining the highest standards, looking after the smallest detail and going the extra mile. Excellence means caring. It means making a special effort to do more."

R.D. Southern, Founder, ATCO

CORE MISSION

To build a global portfolio of utilities and energy infrastructure assets that consistently delivers operational excellence and superior returns.

CORE VALUES

It is ATCO's Heart and Mind that drives the Company's approach to service reliability and product quality. Our pursuit of excellence governs the way we act and make decisions.

CANADIAN UTILITIES STRATEGIES

Innovation, growth and financial strength provide the foundation from which we have built our Company. Our long-term success depends on our ability to continue offering our customers premier, comprehensive and integrated solutions to meet their needs and expand into new markets.

These strategic imperatives are supported by our unwavering commitment to operational excellence, our customers, our people and the communities we are privileged to serve around the world.

CORPORATE PILLARS

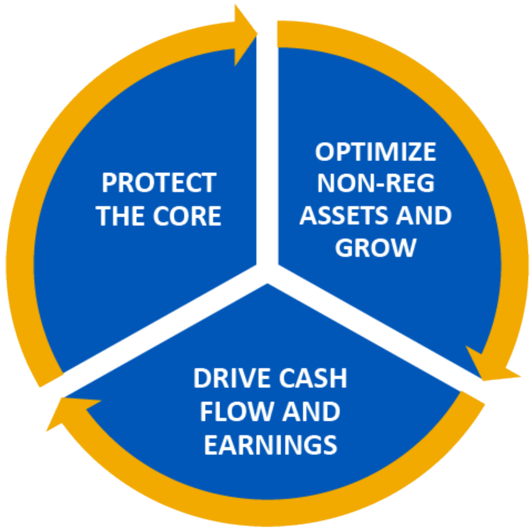
Innovation

We seek to create an inclusive work environment where employees are encouraged to take a creative and innovative approach to meeting our customers' needs. By committing to applied research and development, we are able to offer our customers unique and imaginative solutions that differentiate us from our competitors.

Growth

Our long-term strategy is focused on sustainable growth in North America, South America and Australia. We protect our core utility assets and invest in activities aimed at advancing the energy transition and ensuring long-term resiliency. By optimizing Energy Infrastructure assets and adding new growth platforms, while consistently delivering reliable, safe, cleaner, and affordable energy for our customers, Canadian Utilities will continue to drive cash flow and earnings to improve financial strength and growth capacity.

We pursue the acquisition and development of complementary assets and businesses that have future growth potential and provide long-term value for share owners.



Financial Strength

Financial strength is the bedrock of our current and future success. It ensures that we have the financial capacity to fund existing and future capital investments through a combination of predictable cash flows from operations, cash balances on hand, credit facilities and access to capital markets. It enables us to sustain our operations and to grow through economic cycles, thereby providing long-term financial benefits.

We continuously review our holdings to evaluate opportunities to sell mature assets and recycle the proceeds into growing areas of the Company. The viability of such opportunities depends on the outlook of each business as well as general market conditions. This ongoing focus supports the optimal allocation of capital across the Company.

Operational Excellence

We achieve operational excellence through high service, reliability, and product quality for our customers and the communities we serve. We are uncompromising about maintaining a safe work environment for employees and contractors, promoting public safety and striving to minimize our environmental impact. We ensure the timely supply of goods and services that are critical to our customers' ability to meet their core business objectives.

Community Involvement

We are committed to a respectful and collaborative community approach, where meaningful partnerships and positive relationships are built with community leaders and groups that will enhance economic and social development. Community involvement creates the opportunity to develop partnerships with Indigenous and community groups and build ongoing, positive Indigenous relationships that contribute to economic and social development in their communities. We also engage with governing authorities, regulatory bodies, and landowners. We encourage partnerships throughout the organization. We encourage our employees to participate in community initiatives that will serve to benefit non-profit organizations through volunteer efforts, and the provision of products and services in-kind.

SUSTAINABILITY PILLARS

Canadian Utilities conducts business in a manner that reflects our values. Integrity, agility, collaboration and caring—these foundational principles help us deliver on our commitment to sustainability. We report on five focus areas: Energy Transition, Climate Change & Environmental Stewardship, Operational Reliability & Resilience, People and Community & Indigenous Relations.

Strategic Environmental, Social and Governance (ESG) Targets For 2030

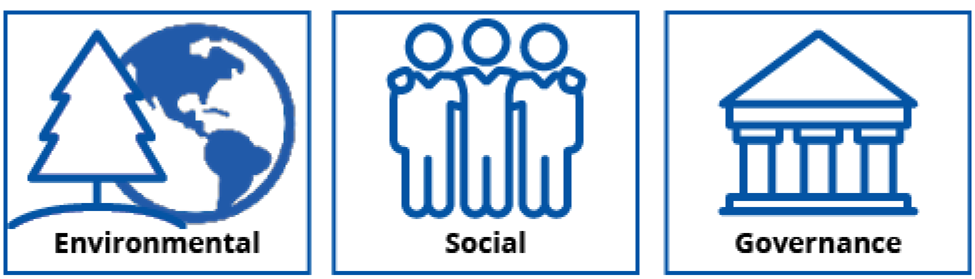
In January 2022, Canadian Utilities' parent company, ATCO, announced an initial set of 2030 environmental, social and governance targets, and a commitment to achieve net-zero greenhouse gas (GHG) emissions by 2050.

ATCO's 2030 ESG targets include reducing its operational and customer emissions, growing its renewable energy footprint, increasing economic benefits for Indigenous partners, continuing its focus on safety, and further promoting diversity, equity, and inclusion in the workplace.

The 2050 net-zero commitment builds upon ATCO's significant progress in recent years in decarbonizing its portfolio, including a 90 per cent reduction in operational GHG emissions from 2019 to 2020 realized primarily through the sale of Canadian Utilities' fossil fuel-based electricity generation portfolio as well as reductions in its retained assets.

ATCO (with the support of Canadian Utilities) is actively pursuing several pathways to further reduce its operational emissions, as well as its customers' emissions, by accelerating the deployment and use of cleaner fuels (hydrogen and renewable natural gas), renewable energy, energy infrastructure and storage (including carbon capture technologies), energy efficiency and carbon offsets. In support of its net-zero commitment, ATCO is also working with all levels of government to advocate for enabling policy and regulation, and to identify barriers that impede cost-effective, economy-wide decarbonization. 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.

ATCO continues to evaluate further ESG targets and conduct additional analysis with respect to their 2050 net-zero commitment. Additional information and progress towards the ESG targets will be included in ATCO's annual Sustainability Report, which will be available in May 2022.



FURTHER COMMENTARY REGARDING STRATEGIES AND COMMITMENTS

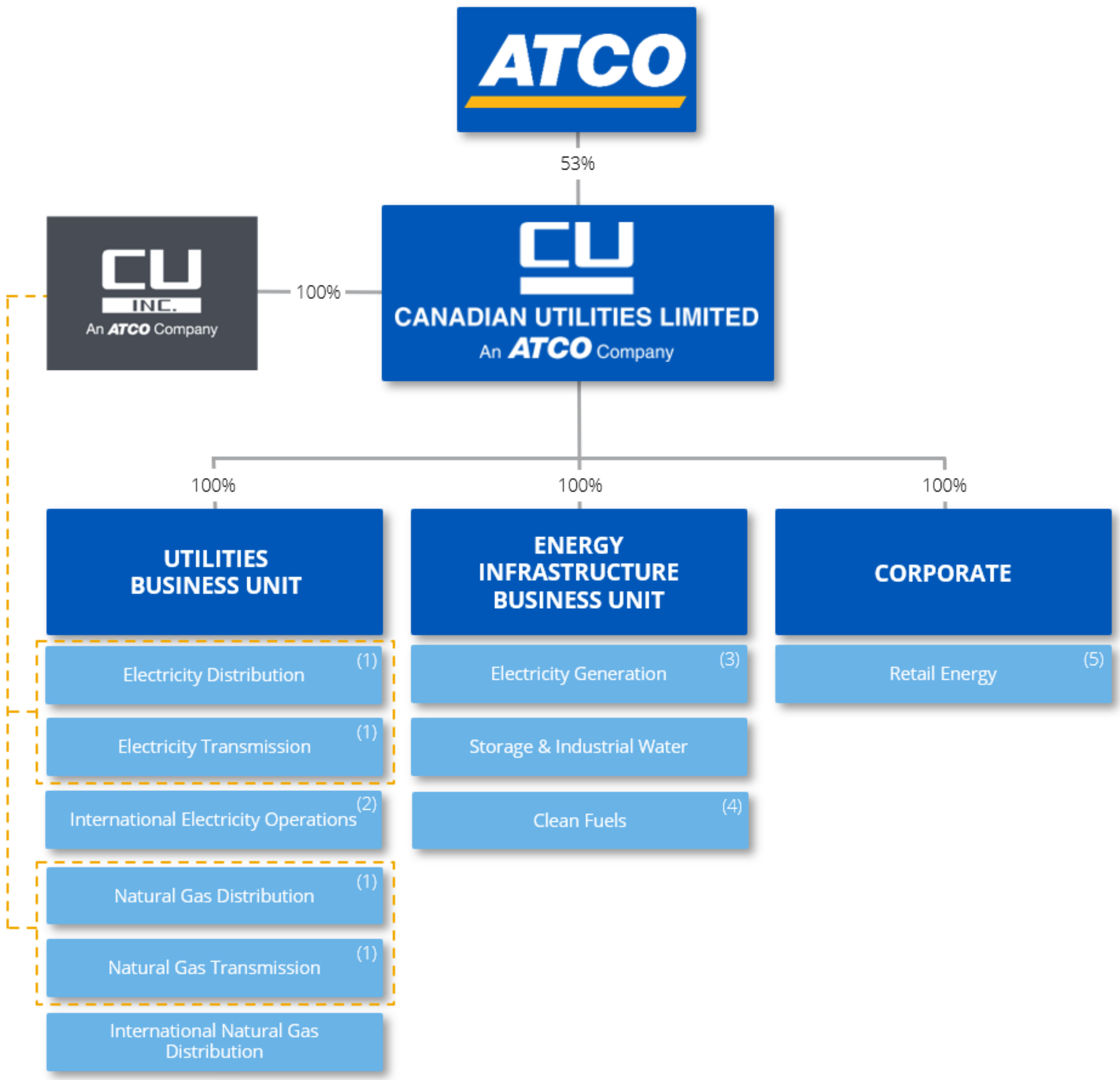
Our financial and operational achievements in 2021 relative to the strategies outlined above are included in this MD&A, the 2021 Consolidated Financial Statements and 2021 AIF. Further commentary regarding strategies and commitments to innovation, growth, financial strength, operational excellence, and community involvement will be provided in the forthcoming 2021 Management Proxy Circular, Year in Review, and Sustainability Report. The 2021 Management Proxy Circular will also contain a discussion of the Company's corporate governance practices.

Canadian Utilities' website, www.canadianutilities.com, is a valuable source for the latest news of the Company’s activities. Prior years’ reports are also available on this website.

COMPANY OVERVIEW AND OPERATING ENVIRONMENT

We are more than the sum of our many parts. On a global scale, we energize homes, businesses, industries, and deliver customer-focused energy infrastructure solutions. With approximately $21 billion in assets, Canadian Utilities Limited is a company with a diverse, global portfolio of investments in premier energy infrastructure that delivers operational excellence and superior returns. Fueled by the unwavering dedication of approximately 4,800 people, we offer comprehensive solutions and operational excellence in Utilities (electricity and natural gas transmission and distribution, and international operations); Energy Infrastructure (energy storage, energy generation, industrial water solutions and clean fuels); and Retail Energy (electricity and natural gas retail sales, and whole-home solutions).

ORGANIZATIONAL STRUCTURE



(1) CU Inc. includes Electricity Distribution, Electricity Transmission, Natural Gas Distribution and Natural Gas Transmission.

(2) International Electricity Operations consists of a 50 per cent ownership in LUMA Energy, LLC (LUMA Energy), a company formed to transform, modernize and operate Puerto Rico's 30,000-km electricity transmission and distribution system.

(3) Canadian Utilities owns and operates 348-MW of non-regulated electricity generation assets in Australia, Mexico, Canada and Chile, and 103-MW of assets under development in Canada.

(4) Clean Fuels includes large-scale hydrogen production opportunities, renewable natural gas opportunities, and technical expertise support.

(5) ATCOenergy includes Rümi, Blue Flame Kitchen, and Retail Energy and provides home products, home maintenance services, professional advice, and retail electricity and natural gas services in Alberta.

The 2021 Consolidated Financial Statements include the accounts of Canadian Utilities, and its subsidiaries, including the equity investment in joint ventures and a proportionate share of joint operations.

The 2021 Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the reporting currency is the Canadian dollar.

UTILITIES

BUSINESS DESCRIPTION

The Utilities business unit operates in Canada, Australia and Puerto Rico. The four regulated utilities (Electricity Transmission and Distribution, and Natural Gas Transmission and Distribution) in Alberta, Saskatchewan and the northern regions of Canada have delivered reliable electricity and clean-burning natural gas to customers for many decades. International Operations consists of the regulated natural gas distribution business in Western Australia, and the Electricity Operations business in Puerto Rico, which includes Canadian Utilities' 50 per cent ownership in LUMA Energy.

BUSINESS STRATEGY

Our strategy is to invest in regulated electricity and natural gas transmission and distribution assets, capitalize on opportunities to provide long-term contracted electricity and natural gas transmission and distribution services, and consistently deliver safe, reliable, affordable and clean energy for our customers.

MARKET OPPORTUNITIES

The utilities industry is changing with an increased focus on decarbonization, digitalization, decentralization, and evolving customer demand. Continuing climate change concerns, evolving regulations to encourage the advancement of new technologies, emission reduction targets, and government incentives present opportunities for utility companies. Our natural gas and electric utilities are well positioned to capitalize on these trends. Our strategic priorities remain focused on investments that provide lower emissions and clean energy solutions for our customers, and continuing to invest in our core business while maintaining safety, reliability and affordability.

MARKET CHALLENGES

Traditional utility industry challenges include the regulator's approval of customer rates that permit a reasonable opportunity to recover service costs on a timely basis, including a fair return on invested capital. The increasing move towards decarbonization, arrival of new smart-grid technologies, renewable energy generation, decentralized generation, energy storage and digital transformation has forced the traditional utility sector to reinvent itself and adapt to remain competitive. These new challenges present new policy and technology risks that could lead to disruption of the Company's existing business models and create new competitive market dynamics.

Electricity Transmission Lines

ENERGY INFRASTRUCTURE

BUSINESS DESCRIPTION

The Energy Infrastructure non-regulated businesses include: hydro, solar and natural gas electricity generation in Western Canada, Australia, Mexico, and Chile, as well as non-regulated electricity transmission, natural gas storage and transmission, Natural Gas Liquids (NGL) storage, industrial water solutions, and renewable natural gas (RNG) production in Alberta. Energy Infrastructure is also developing its clean fuels business including hydrogen, RNG, carbon capture and underground storage projects.

BUSINESS STRATEGY

Energy transition is a key component of our growth strategy, focused on the three pillars of renewable generation, clean fuels, and energy storage. We are actively seeking out opportunities that capitalize on the key trends shaping global energy markets, from smaller and rapidly executable projects such as solar and renewable natural gas, to larger and longer lead-time initiatives, including commercial scale hydrogen production, transportation and storage. Additionally, we continue to optimize and drive growth in our energy storage business. Storage is critical to energy stability and to support the reliability of the grid as the world transitions to clean, but more intermittent sources of energy. It is a critical supporting factor to energy transition and to the diversification of industry within Alberta.

MARKET OPPORTUNITIES

In developed markets, the political and societal push to address climate change with decarbonization goals and the energy transition are driving the demand for clean energy, mainly supplied through renewables and clean fuels. Energy markets will be focused on providing firm, reliable and affordable energy supply as the share of renewables grows; this is likely to drive further investment into storage and grid balancing solutions to improve system reliability.


El Resplandor Solar Project, Cabrero, Chile

MARKET CHALLENGES

There is significant competition as financial, strategic and traditional fossil fuel-based energy producers become increasingly interested in renewables and clean fuels as part of the global energy transition. Government policy and regulatory constraints present challenges to renewables and clean fuel projects aligned with energy transition strategies. Macroeconomic conditions such as global economic activity, inflation, and political uncertainty pose challenges for investment.

PERFORMANCE OVERVIEW

FINANCIAL METRICS

The following chart summarizes key financial metrics associated with our financial performance.

($ millions, except per share data and outstanding shares)	Year Ended December 31 2021	2020	2019
Key Financial Metrics			
Revenues	**3,515**	3,233	3,905
Adjusted earnings (1)	**586**	535	608
Utilities (1)	**635**	584	575
Energy Infrastructure	**28**	28	110
Corporate & Other	**(77)**	(77)	(77)
Adjusted earnings ($ per share)	**2.17**	1.96	2.23
Earnings attributable to equity owners of the Company	**393**	427	951
Earnings attributable to Class A and Class B shares	**328**	360	884
Earnings attributable to Class A and Class B shares ($ per share)	**1.21**	1.32	3.24
Diluted Earnings attributable to Class A and Class B shares ($ per share)	**1.21**	1.32	3.24
Total assets	**21,075**	20,296	20,044
Long-term debt	**9,308**	9,053	8,966
Equity attributable to equity owners of the Company	**6,635**	6,621	6,734
Cash dividends declared per Class A and Class B share ($ per share)	**1.76**	1.74	1.69
Cash flows from operating activities	**1,718**	1,631	1,358
Capital investment (2)	**1,338**	912	1,226
Capital expenditures	**1,227**	903	1,129
Other Financial Metrics			
Weighted average Class A and Class B shares outstanding *(thousands):*			
Basic	**269,855**	272,758	272,630
Diluted	**270,317**	273,273	273,211

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

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

REVENUES

Revenues in 2021 were $3,515 million, $282 million higher than the same period in 2020. Higher revenues were mainly due to improved performance at ATCOenergy resulting from higher electricity and natural gas commodity prices associated with floating rate energy contracts, and higher flow-through revenues in the Electricity Distribution and Natural Gas Distribution businesses and the timing of prior period costs recovered in Natural Gas Distribution.

ADJUSTED EARNINGS

Our adjusted earnings in 2021 were $586 million or $2.17 per share, compared to $535 million or $1.96 per share for the same period in 2020.

Higher adjusted earnings in 2021 were mainly due to a full 12 months of earnings from International Electricity Operations comprised of ongoing transition work in the first half of 2021 and the June 2021 commencement of a Supplemental Agreement to LUMA Energy's 15-year Operations and Maintenance Agreement. Higher adjusted earnings were also due to inflation in Australia, which positively impacted earnings in the International Natural Gas Distribution business and cost efficiencies within the Electricity Distribution business.

Additional detail on the financial performance of our business units is discussed in the Business Unit Performance section of this MD&A.

EARNINGS ATTRIBUTABLE TO EQUITY OWNERS OF THE COMPANY

Earnings attributable to equity owners of the Company were $393 million in 2021, $34 million lower compared to 2020. Earnings attributable to equity owners of the Company include timing adjustments related to rate-regulated activities, dividends on equity preferred shares of the Company, unrealized gains or losses on mark-to-market forward and swap commodity contracts, one-time gains and losses, impairments, and items that are not in the normal course of business or a result of day-to-day operations. These items are not included in adjusted earnings.

More information on these and other items is included in the Reconciliation of Adjusted Earnings to Earnings Attributable to Equity Owners of the Company section of this MD&A.

Earnings attributable to equity owners of the Company are earnings attributable to Class A and Class B shares plus dividends on equity preferred shares of the Company. Additional information regarding earnings attributable to Class A and Class B shares is presented in Note 8 of the 2021 Consolidated Financial Statements.

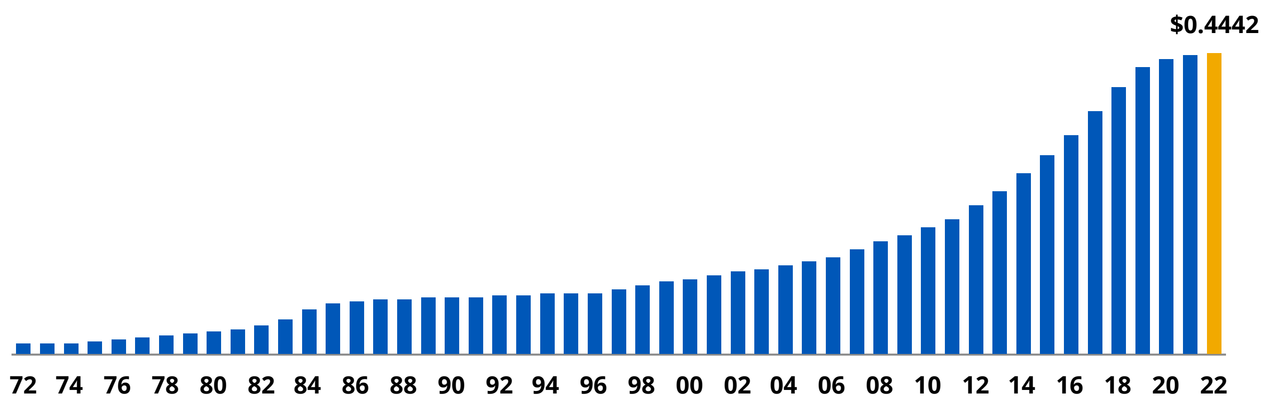
CASH FLOWS FROM OPERATING ACTIVITIES

Cash flows from operating activities were $1,718 million in 2021, $87 million higher than the same period in 2020. The increase was mainly due to higher customer contributions received for Alberta Utilities' capital expenditures. These amounts were partially offset by the Company's decision to provide rate relief to customers through the deferral of rate increases for the Electricity Distribution and Natural Gas Distribution businesses, which will be collected from customers starting in 2022.

COMMON SHARE DIVIDENDS

We have increased our common share dividend every year for the past 50 years, the longest record of annual dividend increases of any Canadian publicly traded company. Dividends paid to Class A and Class B share owners totaled $476 million in 2021. On January 13, 2022, the Board of Directors declared a first quarter dividend of 44.42 cents per share or $1.78 on an annualized basis. We aim to grow dividends in-line with our sustainable earnings growth, which is linked to growth from our regulated and long-term contracted investments.

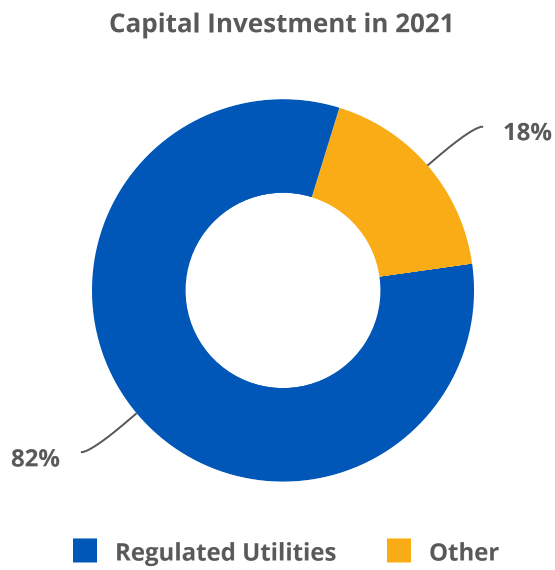
Quarterly Dividend Rate 1972 - 2022
(dollars per share)



CAPITAL INVESTMENT [1]

Total capital investment of $1,338 million in 2021 was $426 million higher compared to the same period in 2020, mainly due to the acquisition of the Pioneer Pipeline in the Natural Gas Transmission business; and the acquisition of the Alberta Hub natural gas storage facility, the acquisition of three solar development projects, and the construction of a long-term contracted hydrocarbon storage cavern in the Energy Infrastructure segment.

Total capital expenditures of $1,227 million in 2021 were $324 million higher compared to the same period in 2020, mainly due to the acquisition of the Pioneer Pipeline in the Natural Gas Transmission business, and the acquisition of three solar development projects in the Energy Infrastructure segment.



Capital spending in the Regulated Utilities accounted for 82 per cent of total capital invested in the full year of 2021. The remaining 18 per cent invested mainly included the acquisition of the Alberta Hub natural gas storage facility, the acquisition of three solar development projects, and the construction of a long-term contracted hydrocarbon storage cavern in the Energy Infrastructure segment.

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

CANADIAN UTILITIES SCORECARD

The following scorecard outlines our performance in 2021.

Target Met · Target Partially Met · Target Not Met

STRATEGIC PRIORITIES	2021 TARGET	2021 PERFORMANCE
INNOVATION		
New and existing products and services	Explore and test new products and methods of energy delivery to meet customers' future needs.	
	• Continue to support communities and customers through the deployment of cleaner energy solutions.	(Target Met) The Vuntut Gwitchin First Nation and Canadian Utilities announced the completion of Canada's most northerly off-grid solar project, reducing diesel use by 189,000 litres annually in Old Crow, Yukon and providing a clean energy source for decades to come.
	• Explore further opportunities to invest in clean fuel initiatives such as hydrogen and renewable natural gas within the Utilities and Energy Infrastructure businesses.	(Target Met) Utilities and Energy Infrastructure 2021 strategies focused on energy transition with a specific emphasis on renewable generation, hydrogen blending, clean fuels and energy storage. Through the calendar year we announced the following projects (further details can be found in the Business Unit Performance section of this MD&A): • Alberta Hub Natural Gas Storage Acquisition • Two Hills RNG Facility • Empress Solar Development Project • Calgary Solar Development Projects • Canadian Utilities - Suncor Clean Hydrogen Project • Clean Energy Innovation Park, Australia • Central West Pumped Storage Hydro Project, Australia • Fort Saskatchewan Hydrogen Blending

STRATEGIC PRIORITIES	2021 TARGET		2021 PERFORMANCE
GROWTH			
Regulated and long-term contracted capital investment	Continue to strategically invest in Canadian Utilities' technology and the modernization of both the natural gas and electricity networks to enhance sustainability and flexibility while reducing the long term need for additional utility infrastructure, resulting in lower costs and an improved experience for customers.		Continued progression on the digitization of the grid: • Continued deployment of Advanced Metering Infrastructure (AMI) across our service territory. The communities of Grande Prairie and Chipewyan Lake are now complete. • Progressing on the Advanced Distribution Management System (ADMS) that will orchestrate the delivery of electricity across a multi-directional flowing grid. Canadian Utilities announced the acquisition of the Pioneer Pipeline in 2020 and closed this transaction on June 30, 2021. The 131-km natural gas pipeline has been incorporated into NOVA Gas Transmission's (NGTL) and ATCO's Alberta regulated natural gas transmission systems to provide reliable natural gas supply to TransAlta's power generating units at Sundance and Keephills, facilitating the conversion of these coal plants to cleaner-burning natural gas. Consistent with the geographic areas defined in the Integration Agreement, Canadian Utilities' Natural Gas Transmission will transfer to NGTL the 30-km segment of pipeline in 2022 that is located in the NGTL footprint. The pipeline transfer was approved by the Canada Energy Regulator on December 22, 2021. LUMA Energy began implementation of the System Remediation Plan and engaged with the Federal Emergency Management Agency (FEMA) and US Department of Housing and Urban Development (HUD) on capital rebuilding programs designed to lift electricity transmission and distribution operations to the standards of a world-class utility.
	Continue to advance replacement and improvement projects in Canadian Utilities to ensure that the safety and reliability of our gas and electricity systems are properly maintained and managed.		The ongoing Urban Pipeline Replacement (UPR) Program in Alberta consists of the removal of the remaining high-pressure service pipe, installation of remaining stations, and clean-up efforts. The project is expected to be completed in 2022 and will have removed a total of 310-km upon completion.

STRATEGIC PRIORITIES	2021 TARGET		2021 PERFORMANCE
Global expansion	Continue expansion into select global markets including: North America, Australia, and Chile.		Canadian Utilities along with its partner, Quanta Services, Inc., announced their joint ownership interest in LUMA Energy in 2020 and commenced a one-year transition period. In June 2021, one month in advance of its anticipated timeline, LUMA Energy commenced operations under a Supplemental Agreement to its 15-year contract to modernize and operate Puerto Rico's electricity transmission and distribution system. Canadian Utilities and its joint venture partner, Australian Gas Infrastructure Group, received notification of conditional grant funding from Australian Renewable Energy Agency (ARENA) of $29 million AUD to contribute financing for the production of hydrogen through a large scale project at Canadian Utilities' proposed Clean Energy Innovation Park (CEIP) in Western Australia. Canadian Utilities acquired the rights to develop the 325-MW Central West Pumped Storage Hydro project, located approximately 175-km west of Sydney, Australia. The acquisition marks Canadian Utilities' first renewable energy investment on Australia's east coast. A final investment decision on project construction is expected in 2023.
	Continue to build upon Canadian Utilities' existing renewables generation platform in the Energy Infrastructure business.		Acquired the rights to the Empress Solar project, a 39-MW solar facility under development near Empress, Alberta with commercial operations expected in 2022. The project will provide enough renewable electricity to power more than 11,000 homes. Acquired the development rights to build two solar projects with a combined capacity of 64-MW in Calgary, Alberta with commercial operations expected in 2022. The Deerfoot and Barlow projects will provide enough renewable electricity to power more than 18,000 homes.
FINANCIAL STRENGTH			
Credit rating	Maintain investment grade credit rating.		Maintained 'A' long-term credit rating with a stable trend with DBRS Limited. Maintained 'A-' long-term issuer credit rating with a negative outlook on Canadian Utilities with Standard & Poors.
Access to capital markets	Access capital at attractive rates.		In 2021, CU Inc. raised $460 million in 30-year debentures at a rate of 3.174 per cent. The issue was oversold and completed at an attractive spread of 138 basis points above Government of Canada 30-year bond rates. Canadian Utilities issued $201 million of 4.75 per cent Cumulative Redeemable Second Preferred Shares Series HH by means of a short form prospectus. The proceeds of the issuance were used for capital expenditures, to repay indebtedness and for other general corporate purposes.

STRATEGIC PRIORITIES	2021 TARGET		2021 PERFORMANCE
OPERATIONAL EXCELLENCE			
Lost-time incident frequency: employees **Total recordable incident frequency: employees**	Compare favourably to safety benchmarks.		Our lost-time incident frequency compares favourably to benchmarks such as Alberta Occupational Health and Safety, US private industry, and industry best practice rates. Our lost-time incident frequency in 2021 was 0.17/200,000 hours worked. Our total recordable incident frequency in 2021 compares favourably to benchmarks such as US private industry and industry best practice rates. Our total recordable incident frequency in 2021 was 1.48 incidents/200,000 hours worked.
Customer satisfaction	Achieve high service for the customers and communities we serve. Results from customer satisfaction surveys should be consistent with or better than prior years.		Within Electricity and Natural Gas Distribution, approximately 97 per cent of customers agreed that Canadian Utilities provides good service. Within our energy retail operations, 75 per cent of customers who interact with call centres are "very satisfied". These results compare favourably to industry averages and are consistent with previous years. ATCO Gas Australia's Customer Satisfaction (CSAT) was 8.9 out of a possible 10, above a national industry benchmark of 8.5. ATCO Gas Australia consistently outperforms the broader energy industry in terms of both customer satisfaction and also a second measurement, the 'ease of implementation' of its services. ATCO Gas Australia has improved its CSAT score from 8.7 in 2020 to 8.9 in 2021. LUMA Energy had a six per cent increase in overall customer satisfaction, and a 13 per cent increase in both in-person customer service and power quality and reliability as measured by J.D. Power CSAT score.

STRATEGIC PRIORITIES	2021 TARGET		2021 PERFORMANCE
Organizational transformation	Streamline and gain operational efficiencies.		
	• Continue to optimize enterprise resource planning, workforce and asset management, customer information systems and computerized maintenance management systems within Canadian Utilities.	●	Canadian Utilities continued implementation of a Workforce and Asset Management program for its electricity and natural gas businesses to advance digitalization and data analytics. This technology will help to optimize resources, and digitize information and processes thereby providing a means to track, manage, and dispatch work to field-based employees more efficiently. The natural gas business is expected to complete implementation by 2022, followed by the electricity business in 2023. ATCO Gas Australia commenced an upgrade of its billing and metering system to comply with Australian Energy Market Operator (AEMO) regulations. This project will provide stakeholders with added functionality and upgrade the software to the latest version. The upgrade is being run in two phases, with Phase 1 complete and Phase 2 due for completion in 2022. The Alberta Utilities implemented a Customer Information System (CIS) replacement program. CIS holds our metering asset information, collects meter reads, calculates billing, and applies rates and production tariff bills for retailers. The replacement for both Natural Gas and Electricity is well underway, and the projects are on-track to go-live in 2022.
COMMUNITY INVOLVEMENT			
Indigenous relations	Continue to work together with Indigenous communities to contribute to economic and social development in their communities.	●	Across our operations, we awarded contracts of approximately $100 million for Indigenous and Indigenous-affiliated contractors in 2021. $64,500 was awarded to 52 students across Canada, including the territories, through the ATCO Indigenous Education Awards Program. A total of 5,280 employees participated in one of the many Indigenous training courses offered in 2021 through virtual classroom and training platforms. ATCO Australia implemented its 'Innovate Reconciliation Action Plan' (RAP). This plan strengthens our approach to driving reconciliation through business activities and community programs, and develops mutually beneficial relationships with Aboriginal and Torres Strait Islander stakeholders and organizations. Recognizing the continuing connection to land, sea and culture, ATCO Australia have invited Elders to welcome our employees to their country through Cultural Smoking Ceremonies for events and projects. Canadian Utilities announced the completion of Canada's most northerly off-grid solar project in Old Crow, Yukon. The facility will provide the Vuntut Gwitchin First Nations with a clean energy source for decades to come and fosters community ownership and self-sustaining economic development through job creation, investment in infrastructure, and revenue from the sale of renewable energy.

STRATEGIC PRIORITIES	2021 TARGET		2021 PERFORMANCE
ATCO EPIC (Employees Participating in Communities)	Continue to administer the employee-led campaign to give employees the opportunity to contribute to charitable organizations in the communities in which they work.		With the combined efforts of our employees around the world, ATCO pledged more than $2.97 million to support hundreds of community charities through our annual ATCO EPIC campaign, taking the program's cumulative fundraising total to over $50 million since its inception in 2006. The ATCO Giving Gardens at Spruce Meadows was created in spring 2021 as a way to weave sustainability, volunteerism and generosity into one great initiative by providing fresh produce to Calgary's vulnerable seniors and veterans. ATCO provided 4,720 meals to seniors and veterans through our partnerships with the Calgary Seniors' Resource Society and the Homes For Heroes Foundation in Calgary. ATCO's Giving Gardens supplied the beets, potatoes, and squash towards these meals.
Community Investment	Invest in the health and safety of LUMA Energy's people and communities by opening a state-of-the-art electricity and lineworkers college in Puerto Rico.		In 2021, LUMA Energy obtained all permits and began construction on the LUMA College for Technical Training – a state-of-the-art lineworkers' college within Puerto Rico aimed at training LUMA Energy's current and future employees. The College's 24-acre site in Canóvanas will include an outdoor skills training field, indoor learning laboratory, administrative and classroom operations building, and covered equipment and personnel parking structures. Collectively, this will create approximately 22,000 square feet of usable building space for the purpose of training, education and administration. During construction activities in 2021, the College innovated by using off-site locations in Puerto Rico to commence its training programs and graduated the first pre-apprentice class of 14 students in October.

STRATEGIC PRIORITIES FOR 2022

The following table outlines our strategic priorities for 2022.

INNOVATION	
New and existing products and services	Continue to progress Canadian Utilities’ energy transition strategies across the regulated and non-regulated energy businesses to increase ownership, develop or manage renewable generation, energy storage and/or clean fuel facilities, and/or modernize natural gas and/or electricity delivery. Continue to prioritize Canadian Utilities’ strategic role in working with remote communities to reduce their reliance on diesel fuels in a way that continues to support economic growth, energy independence, reconciliation and community building with Indigenous peoples.
GROWTH	
Regulated and long-term contracted capital investment	Continue to strategically invest in Canadian Utilities' technology and the modernization of both the natural gas and electricity networks to enhance sustainability and flexibility. Continue to advance replacement and improvement projects in Canadian Utilities to ensure that the safety and reliability of our gas and electricity systems are properly maintained and managed. Continue to implement the System Remediation Plan in LUMA Energy; designed to lift the Transmission & Distribution System to the standards of a world-class utility. Increase the average contracted life of the in-service renewable generation portfolio by securing new power purchase agreements.
Global expansion	Continue expansion into select global markets including: North America, South America, and Australia by building upon Canadian Utilities' existing renewables generation and energy storage, and invest in Clean Fuels innovation in the Energy Infrastructure business.
FINANCIAL STRENGTH	
Credit rating	Maintain investment grade credit rating.
Access to capital markets	Continue to manage liquidity and access to capital in a prudent manner that facilitates strong access to capital at appropriate rates.

OPERATIONAL EXCELLENCE	
Lost-time and total recordable incident frequency: employees	Compare favourably to safety benchmarks.
Customer satisfaction	Achieve high service for the customers and communities we serve. Results from customer satisfaction surveys should be consistent with or better than prior years. Continue to prioritize improvements in LUMA Energy based on customer input and measure effectiveness via overall Customer Satisfaction scores.
Organizational transformation	Streamline and gain operational efficiencies: • Continue to demonstrate progress in leadership development, succession planning, and diversity, equity and inclusion initiatives across the organization • Continue to optimize enterprise resource planning, workforce and asset management, customer information systems and computerized maintenance management systems within Canadian Utilities. • LUMA Energy will advance its integrated safety culture and programs that will allow prioritization of safety risks and mitigations across business functions and enable employee safety, compliance and continual improvement. • LUMA Energy has developed baseline performance metrics and will monitor progress in, among other areas, customer service, safety, reliability and the delivery of budgeted results.

COMMUNITY INVOLVEMENT	
Indigenous relations	Continue to work together with Indigenous communities to contribute to economic and social development in their communities.
ATCO EPIC (Employees Participating in Communities)	Continue to administer the employee-led campaign to give employees the opportunity to contribute to charitable organizations in the communities in which they work. LUMA Energy will establish the LUma Committed with EmployeeS (“LUCES”) program.
Community investment	Invest in the health and safety of LUMA Energy's people and communities by opening a state-of-the-art electricity and distribution lineworkers college in Puerto Rico. The formal college is expected to open in the second quarter of 2022. LUMA Energy will continue its grassroots community investment program across Puerto Rican municipalities through partnership with the American Red Cross of Puerto Rico and the Boys & Girls Club of Puerto Rico.

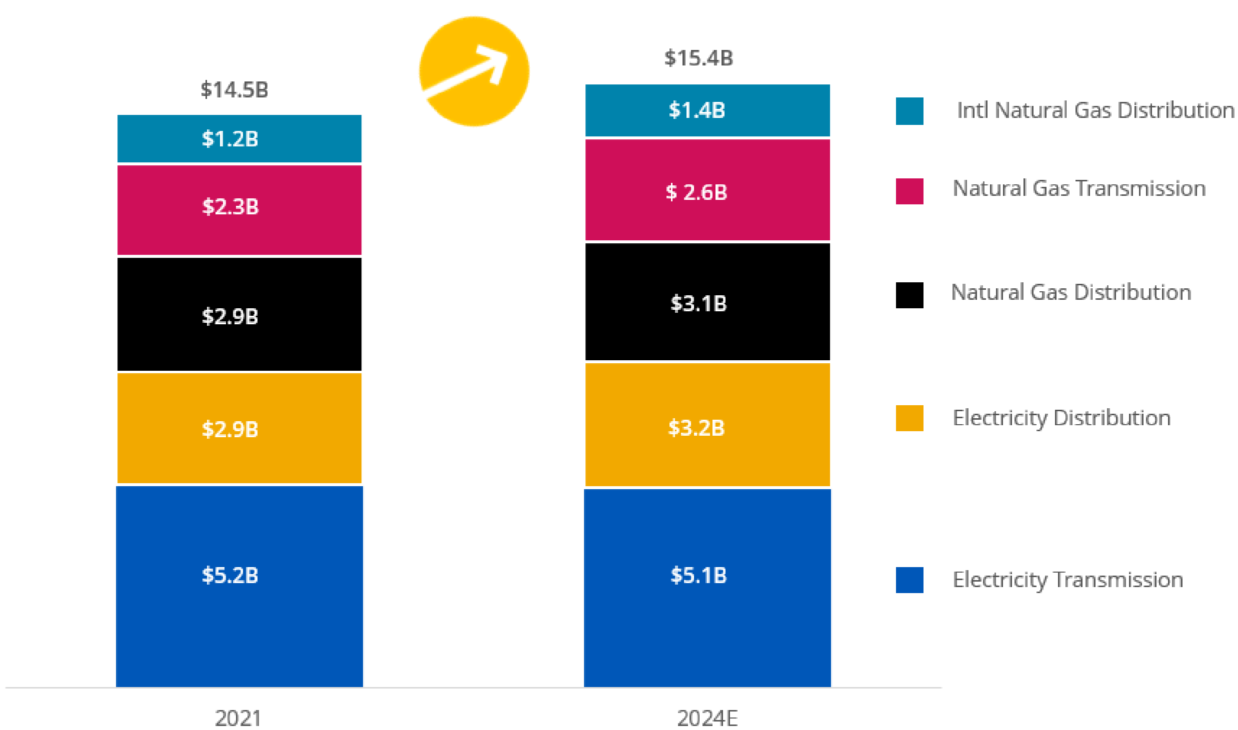
CAPITAL INVESTMENT PLANS [(1)]

In the 2022 to 2024 period, Canadian Utilities expects to invest $3.5 billion in regulated utility and commercially secured energy infrastructure capital growth projects. This capital investment is expected to contribute significant earnings and cash flows and create long-term value for share owners.

The three year plan includes $3.3 billion of planned capital investment in the Regulated Utilities of which $1.0 billion relates to Electricity Distribution, $0.7 billion to Electricity Transmission, $0.9 billion to Natural Gas Distribution, $0.5 billion to Natural Gas Transmission and $0.2 billion to International Natural Gas Distribution.

Mid-year rate base is equal to the total net capital investment less depreciation. Growth in mid-year rate base is a leading indicator of a utility's earnings trend, depending on changes in the equity ratio of the mid-year rate base and the rate of return on common equity.

MID-YEAR RATE BASE GROWTH (C$ Billions)



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

CORPORATE GOVERNANCE

Ensuring that our business operates in a transparent, ethical and accountable manner is at the core of creating strong and sustainable value for our share owners and in promoting the Company's well-being over the long term.

We do not believe in a one-size-fits-all approach to governance. Our Board of Directors has designed and implemented a unique and effective system of checks and balances that recognize the need to provide autonomy to our various business units, while prudently managing our financial resources.

This fit-for-purpose approach to governance has worked exceedingly well over the years, providing our Board of Directors and senior management team with the foundation to create long-term intergenerational value for our share owners.

Following are some of the highlights of our model for corporate governance. For a more complete picture, please see the Governance section of the 2021 Management Proxy Circular, which will be available in April 2022.

Our Board of Directors

The role of our Board of Directors has evolved alongside our business, providing oversight to an organization with a growing global footprint and a diverse, yet complementary suite of premier products and services. The Board strives to ensure that its corporate governance practices provide for the effective stewardship of the Company, and it regularly evaluates these practices to ensure they are in keeping with the highest standards.

Key elements of our corporate governance system include the oversight and diligence provided by the Board, the Lead Director, the Audit & Risk Committee, the Corporate Governance - Nomination, Compensation and Succession Committee (GOCOM), and Pension Fund Committee. Although not required by securities laws, some of our governance tools, such as the use of Designated Audit Directors (DADs), also reinforce the effectiveness and rigor of our governance model.

Much like our business operations, the strength of our Board of Directors is due in no small part to the diverse nature of skills, talent and experience each member brings to Board deliberations.

In 1995, Canadian Utilities was among the first public companies in Canada to introduce the concept of a Lead Director. Dr. Roger J. Urwin is the current Lead Director for Canadian Utilities, and was appointed to this position on May 6, 2020. The Lead Director provides the Board with the leadership necessary to ensure independent oversight of management. The Lead Director is an independent director and must be a member of GOCOM.

Designated Audit Directors

Distinctly unique to ATCO and Canadian Utilities are the Designated Audit Directors who are directors of Canadian Utilities or ATCO Ltd. Each DAD is assigned to one of our business units to provide oversight based on their strengths and experience in various industry sectors.

Each DAD meets quarterly with the senior leadership of their business unit and holds annual meetings with internal and external auditors. In addition, they review their respective businesses' financial statements and operating results, discuss risks with management, and report on both operating results and risks to our Audit & Risk Committee.

BUSINESS UNIT PERFORMANCE

REVENUES

Utilities revenues of $884 million and $3,041 million in the fourth quarter and full year of 2021 were $100 million and $109 million higher compared to the same periods in 2020 mainly due to higher flow-through revenues in the Electricity Distribution and Natural Gas Distribution businesses, and the timing of prior period costs recovered in Natural Gas Distribution.

Revenue growth for Electricity and Natural Gas Distribution in the fourth quarter and full year of 2021 has been deferred as a result of our decision to provide rate relief to customers in light of the current COVID-19 global pandemic and the economic situation in Alberta. The AUC issued a decision directing ATCO to collect the 2021 deferred amounts commencing January 1, 2022.

ADJUSTED EARNINGS

	Three Months Ended December 31			Year Ended December 31		
($ millions)	**2021**	**2020**	**Change**	**2021**	**2020**	**Change**
Electricity						
Electricity Distribution [1]	**37**	38	(1)	**151**	132	19
Electricity Transmission [1]	**35**	42	(7)	**152**	174	(22)
International Electricity Operations [1]	**16**	6	10	**44**	12	32
Total Electricity	**88**	86	2	**347**	318	29
Natural Gas						
Natural Gas Distribution [1]	**72**	79	(7)	**142**	146	(4)
Natural Gas Transmission [1]	**20**	22	(2)	**81**	89	(8)
International Natural Gas Distribution [1]	**26**	8	18	**65**	31	34
Total Natural Gas	**118**	109	9	**288**	266	22
Total Utilities [2]	**206**	195	11	**635**	584	51

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

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

Utilities adjusted earnings of $206 million in the fourth quarter of 2021 were $11 million higher than the same period in 2020 mainly due to higher earnings from International Electricity Operations as a result of the June 2021 commencement of a Supplemental Agreement to LUMA Energy's 15-year Operations and Maintenance Agreement, and inflation indexing in International Natural Gas Distribution. Higher earnings were partially offset by timing of operating costs.

Utilities adjusted earnings of $635 million in the full year of 2021 were $51 million higher than the same period in 2020 mainly due to higher earnings from International Electricity Operations as a result of ongoing transition work in the first half of 2021 and the June 2021 commencement of a Supplemental Agreement to LUMA Energy's 15-year Operations and Maintenance Agreement. Higher earnings were also due to inflation indexing in International Natural Gas Distribution, and cost efficiencies within the Electricity Distribution business. Higher earnings were partially offset by the impact of the Electricity Transmission 2018-2019 GTA Compliance Filing decision and the 2020-2022 GTA Compliance Filing decision received in 2021. Combined, these decisions included a $12 million reduction of earnings related to prior periods.

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

Electricity Distribution

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

Electricity Distribution adjusted earnings of $37 million in the fourth quarter of 2021 were $1 million lower than the same period in 2020 mainly due timing of operating costs.

Electricity Distribution adjusted earnings of $151 million in the full year of 2021 were $19 million higher compared to the same period in 2020 mainly due to cost efficiencies.

Electricity Transmission

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

Electricity Transmission adjusted earnings of $35 million in the fourth quarter of 2021 were $7 million lower than the same period in 2020 mainly due to timing of operating costs.

Electricity Transmission adjusted earnings of $152 million in the full year of 2021 were $22 million lower than the same period in 2020. Lower earnings were mainly due to the impact of the Electricity Transmission 2018-2019 GTA Compliance Filing decision received in the second quarter of 2021, and the 2020-2022 GTA Compliance Filing decision received in the third quarter of 2021. Combined, these decisions included a $12 million reduction of earnings related to prior periods.

International Electricity Operations

International Electricity Operations includes a 50 per cent ownership in LUMA Energy, a company formed to transform, modernize and operate Puerto Rico's 30,000-km electricity transmission and distribution (T&D) system under an Operations and Maintenance Agreement with the Puerto Rico Public-Private Partnerships Authority (P3A) and the Puerto Rico Electric Power Authority (PREPA).

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

International Electricity Operations adjusted earnings of $16 million and $44 million in the fourth quarter and full year of 2021 were $10 million and $32 million higher than the same periods in 2020. Higher earnings were mainly due to ongoing transition work in the first half of 2021 and the June 1, 2021 commencement of operations under a Supplemental Agreement to LUMA Energy's 15-year contract to modernize and operate Puerto Rico's electricity T&D system.

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 $72 million in the fourth quarter of 2021 were $7 million lower than the same period in 2020 mainly due to timing of operating costs.

Natural Gas Distribution adjusted earnings of $142 million in the full year of 2021 were $4 million lower than the same period in 2020 mainly due to higher operating costs, partially offset by growth in rate base.

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 $20 million and $81 million in the fourth quarter and full year of 2021 were $2 million and $8 million lower than the same periods in 2020. Lower earnings were mainly due to the impact of the 2021-2023 General Rate Application which included operating cost efficiencies implemented in prior periods that are being passed on to customers, partially offset by growth in rate base.

International Natural Gas Distribution

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

International Natural Gas Distribution adjusted earnings of $26 million and $65 million in the fourth quarter and full year of 2021 were $18 million and $34 million higher compared to the same periods in 2020. Higher earnings were mainly due to the impact of inflation indexing and increased customer volumes.

UTILITIES RECENT DEVELOPMENTS THROUGHOUT 2021

Old Crow Solar Development Project

In August 2021, the Vuntut Gwitchin First Nation and Canadian Utilities announced the completion of Canada's most northerly off-grid solar project, reducing diesel use by 189,000 litres annually in Old Crow, Yukon and providing a clean energy source for decades to come.

This project showcases a first-of-its-kind Electricity Purchase Agreement. Vuntut Gwitchin will serve as the Independent Power Producer, owner and operator of the solar facility and ATCO Electric Yukon will purchase the solar electricity generated for the next 25 years and feed it into the grid for redistribution to the community.

This facility, similar to the Fort Chipewyan Solar Farm in Northern Alberta, fosters community ownership and self-sustaining economic development through job creation, investment in infrastructure, and revenue from the sale of renewable energy.

Energy projects like this are models of effective collaboration to enable and accelerate the clean energy transition. The Company intends to replicate its success with many of the other Northern Communities reliant on diesel power.

Old Crow Solar Project - Old Crow, Yukon

UTILITIES REGULATORY INFORMATION

UTILITIES REGULATORY FRAMEWORKS

Regulated Business Models

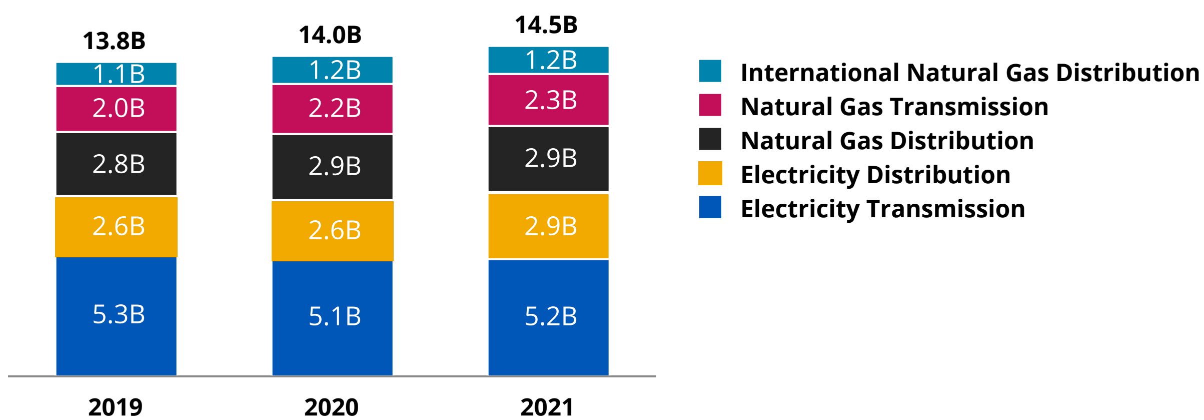
The business operations of Electricity Distribution, Electricity Transmission, Natural Gas Distribution and Natural Gas Transmission are regulated mainly by the Alberta Utilities Commission (AUC). The AUC administers acts and regulations covering such matters as rates, financing and service area.

Natural Gas Transmission and Electricity Transmission operate under cost of service (COS) regulation. Under this model, the regulator establishes the revenues to provide for a fair return on utility investment using mid-year calculations of the total investment less depreciation, otherwise known as mid-year rate base. Growth in mid-year rate base is a leading indicator of the business' earnings trend, depending on changes in the approved equity component of the mid-year rate base and the rate of return on common equity.

Natural Gas Distribution and Electricity Distribution operate under performance-based regulation (PBR). Under PBR, revenue is determined by a formula that adjusts customer rates for inflation less an estimated amount for productivity improvements. The AUC reviews the utilities' results annually to ensure the rate of return on common equity is within certain upper and lower boundaries. To do these calculations, the AUC uses mid-year rate base. For this reason, growth in mid-year rate base can be a leading indicator of the business' earnings trend, depending on the ability of the business to maintain costs based on approved going-in rates and on the formula that adjusts rates for inflation and productivity improvements.

International Natural Gas Distribution is regulated mainly by the Economic Regulation Authority (ERA) of Western Australia. International Natural Gas Distribution operates under incentive based regulation (IBR) under which the ERA establishes the prices for a five-year period to recover a return on forecasted rate base, including income taxes, depreciation on the forecasted rate base, and forecasted operating costs based on forecasted throughput. For this reason, growth in mid-year rate base can be a leading indicator of the business' earnings trend, depending on the ability of the business to maintain costs within approved forecasts.

Regulated Utilities Mid-Year Rate Base ($ Billions)



Generic Cost of Capital Proceeding (GCOC)

In August 2018, the AUC issued a decision approving a Return on Equity (ROE) of 8.5 per cent and capital structure of 37 per cent equity for the 2018, 2019 and 2020 periods for all Alberta Utilities. On October 13, 2020 and March 4, 2021, the AUC issued the decisions for 2021 and 2022, respectively, approving the extension of the current ROE of 8.5 per cent and capital structure of 37 per cent equity on a final basis. The AUC commenced a new GCOC process in January 2022 to address the ROE and equity thickness for 2023 and beyond.

Performance Based Regulation

Under the 2018 to 2022 second generation PBR framework, electricity and natural gas distribution utility rates are adjusted by a formula that estimates annual inflation and assumes productivity improvements.

	PBR Second Generation
Timeframe	2018 to 2022
Inflation Adjuster (I Factor)	Inflation indices (AWE and CPI) adjusted annually
Productivity Adjuster (X Factor)	0.30%
O&M	Based on the lowest annual actual O&M level during 2013-2016, adjusted for inflation, growth and productivity to 2017 dollars; inflated by I-X thereafter over the PBR term
Treatment of Capital Costs	• Recovered through going-in rates inflated by I-X and a K Bar that is based on inflation adjusted average historical capital costs for the period 2013-2016. The K Bar is calculated annually and adjusted for the actual weighted average cost of capital (WACC) • Significant capital costs that are extraordinary, not previously incurred and required by a third party recovered through a "Type I" K Factor
ROE Used for Going-in Rates	• 8.5% • + 0.5% ROE ECM achieved from PBR First Generation added to 2018 and 2019
Efficiency Carry-over Mechanism (ECM)	ECM up to 0.5% additional ROE for the years 2023 and 2024 based on certain criteria
Reopener	+/- 300 bps of the approved ROE for two consecutive years or +/- 500 bps of the approved ROE for any single year
ROE Used for Reopener Calculation	2018: 8.5% excluding impact of ECM 2019: 8.5% excluding impact of ECM 2020 - 2022: 8.5%

Access Arrangement - International Natural Gas Distribution

On November 15, 2019, the ERA published its final rate of return guidelines which outlined the parameters for the WACC applicable to International Natural Gas Distribution's Access Arrangement period (AA5).

The AA5 ROE is 5.02 per cent compared to 7.21 per cent in the previous Access Arrangement. The final decision also includes rebasing of revenues for the recovery of operating costs, the approved capital expenditure program, and the forecast of demand and throughput. The common equity ratio for AA5 is 45 per cent compared to 40 per cent in the previous Access Arrangement.

The tariffs included in the AA5 final decision are applicable for the period January 1, 2020 to December 31, 2024.

Under the existing Access Arrangement, ATCO Gas Australia is using the Post-Tax Revenue Model method to determine revenue requirement and customer rates. Under this method, the impact of inflation is added to the rate base annually. The inflation impact is reflected in customer rates in future periods through the recovery of depreciation. Customer rates are adjusted annually through a mechanism, which adjusts the approved rates in real dollars for actual inflation.

ALBERTA REGULATORY UPDATES

Common Matters

2021 Rate Relief Application

On March 1, 2021, Canadian Utilities filed a 2021 Rate Relief Application for Electricity Distribution and Natural Gas Distribution to postpone rate increases for the full year 2021 and collect the deferred amounts commencing in 2023 for no more than a 5-year period. On June 18, 2021, the AUC issued a decision approving the requested rate relief, but directed Canadian Utilities to collect the 2021 deferred amounts commencing January 1, 2022, over a short duration, without exceeding a prescribed maximum increase in any year during the collection process. Canadian Utilities filed its 2022 PBR Rates applications on September 10, 2021, requesting recovery over the years 2022 and 2023 for Electricity Distribution and full recovery in 2022 for Natural Gas Distribution. The AUC issued its decisions in December 2021, approving the 2022 PBR rates for Electricity Distribution and Natural Gas Distribution as filed.

Distribution Regulatory Framework - Post 2022

On June 18, 2021, the AUC issued a decision providing direction regarding the 2023 COS application process. Each distribution utility is to present its application using an AUC-developed template with a prescribed minimum level of detail. On November 15, 2021, Electricity Distribution filed a 2023 COS application requesting, among other things, approval of a new grid modernization capital program to ensure that the grid can safely and reliably accommodate changing customer behaviours associated with decarbonization. On December 15, 2021, Natural Gas Distribution filed a 2023 COS application which includes a request for approval of a new capital program for the introduction of hydrogen into its distribution system in order to meet government-mandated net-zero emissions targets. Decisions from the AUC are expected in the third quarter of 2022.

On June 30, 2021, the AUC issued a decision relating to the Evaluation of Performance-Based Regulation in Alberta. The Commission determined that PBR has achieved many of the set principle objectives and that a third PBR term (PBR3) will commence in 2024 after a one year COS rebasing in 2023. A future generic proceeding will be initiated in the third quarter of 2022 to determine the parameters of the third generation PBR plan, including a review of incremental capital funding provisions, the inflation (I) and productivity (X) factors, and consideration of an earnings sharing mechanism.

Electricity Transmission

2020-2022 General Tariff Application (GTA)

In October 2019, Electricity Transmission filed a GTA for its operations for 2020, 2021, and 2022. The decision was received in March 2021 approving the vast majority of requested capital expenditures and operating costs, as filed. Electricity Transmission filed its compliance filing on April 19, 2021 and on September 1, 2021, the AUC issued a decision which determined Electricity Transmission’s final revenue requirement for 2020 and 2021. The impact to 2021 adjusted earnings as a result of this decision included a decrease of $4 million, all of which relates to prior periods.

2018-2019 General Tariff Application

On June 29, 2021, the AUC issued a decision on the 2018-2019 GTA Compliance Filing which determined Electricity Transmission’s final revenue requirement for 2018 and 2019. The impact of this decision is a decrease to 2021 adjusted earnings of $8 million, all of which relates to prior periods.

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

On November 29, 2021, the AUC enforcement branch filed an application with the AUC recommending an enforcement proceeding be initiated. This proceeding is to determine whether ATCO Electric failed to comply with AUC decisions and enactments under the AUC's jurisdiction with respect to the sole source contract for the Jasper interconnection project and the actions leading up to and including the filing of the 2018-2020 Deferral Account Application. This proceeding will also determine any future remedies that may be required.

AUC Enforcement and Electricity Transmission are pursuing settlement discussions prior to the AUC determining the next process steps. In 2021, the Company recognized expenses of $14 million (after-tax) due to the potential outcome of the proceeding. As this proceeding is not in the normal course of business, these costs have been excluded from adjusted earnings.

Natural Gas Transmission

Pioneer Pipeline Acquisition

In the third quarter of 2020, Natural Gas Transmission entered into an agreement to acquire the Pioneer Pipeline from Tidewater Midstream & Infrastructure Ltd. and its partner TransAlta Corporation, subject to customary conditions including regulatory approvals by the AUC and Alberta Energy Regulator.

The 131-km natural gas pipeline runs from the Drayton Valley area to the Wabamun area west of Edmonton. On June 15, 2021, the AUC issued a decision approving the acquisition of the pipeline and associated integration costs, totaling $265 million, and the corresponding revenue requirement for 2021 to be included in Natural Gas Transmission's rates.

Consistent with the geographic areas defined in the Integration Agreement, Natural Gas Transmission will transfer to Nova Gas Transmission Ltd. (NGTL) the 30-km segment of pipeline that is located in the NGTL footprint for approximately $65 million.

The transaction to acquire the Pioneer Pipeline closed in 2021. The transfer to NGTL received approval from the Canada Energy Regulator on December 22, 2021, and is expected to close in the first quarter of 2022. The Pioneer Pipeline has been incorporated into NGTL's and Canadian Utilities' Alberta regulated natural gas transmission systems to provide reliable natural gas supply to TransAlta's power generating units at Sundance and Keephills, facilitating the conversion of these coal plants to cleaner-burning natural gas.

Natural Gas Transmission 2021-2023 General Rate Application (GRA)

In June 2020, Natural Gas Transmission filed a GRA for the period 2021-2023. An AUC decision was received in March 2021, approving the vast majority of requested capital expenditures and operating costs as filed, which included operating cost efficiencies implemented in prior periods that are being passed on to customers. On June 15, 2021, the AUC approved the acquisition of the Pioneer Pipeline including the associated integrated costs. On January 12, 2022, the AUC approved Natural Gas Transmission’s application reflecting the acquisition of Pioneer Pipeline in its 2021-2023 revenue requirement.

REVENUES

Energy Infrastructure revenues of $74 million and $209 million in the fourth quarter and full year of 2021 were $15 million and $14 million higher than the same periods in 2020 mainly due to higher natural gas prices at the Carbon, Alberta natural gas storage facility.

ADJUSTED EARNINGS

	Three Months Ended December 31			Year Ended December 31		
($ millions)	**2021**	**2020**	**Change**	**2021**	**2020**	**Change**
Electricity Generation [1]	**—**	4	(4)	**13**	13	—
Storage & Industrial Water [1]	**4**	8	(4)	**15**	15	—
Total Energy Infrastructure	**4**	12	(8)	**28**	28	—

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

Energy Infrastructure adjusted earnings of $4 million in the fourth quarter of 2021 were $8 million lower than the same period in 2020 mainly due to the costs associated with the purchase of the Alberta Hub natural gas storage facility, Central West Pumped Hydro development costs, non-recurring recoveries in 2020, and lower demand for natural gas storage services.

Energy Infrastructure adjusted earnings of $28 million in the full year of 2021 were comparable to the same period in 2020.

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

Electricity Generation

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

Electricity Generation adjusted earnings in the fourth quarter of 2021 were $4 million lower compared to the same period in 2020. Lower earnings were mainly due to Central West Pumped Hydro development costs, and non-recurring recoveries in 2020.

Electricity Generation adjusted earnings of $13 million in the full year of 2021 were comparable to the same period in 2020.

Storage & Industrial Water

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

Storage & Industrial Water adjusted earnings of $4 million in the fourth quarter of 2021 were $4 million lower compared to the same period in 2020 mainly due to costs associated with the purchase of the Alberta Hub natural gas storage facility and lower demand for natural gas storage services.

Storage & Industrial Water adjusted earnings of $15 million in the full year of 2021 were comparable to the same period in 2020.

ENERGY INFRASTRUCTURE RECENT DEVELOPMENTS THROUGHOUT 2021

Alberta Hub Natural Gas Storage Acquisition

In December 2021, Canadian Utilities announced the acquisition of the Alberta Hub natural gas storage facility near Edson, Alberta. The Alberta Hub underground natural gas storage facility has a capacity of approximately 49 petajoules and is connected to the NOVA Gas Transmission (NGTL) system. Complementing our existing natural gas storage facility at Carbon, Alberta, the Alberta Hub facility will provide customized storage solutions tailored to our customers' needs.

Calgary Solar Development Projects

In September 2021, Canadian Utilities announced that it had acquired the development rights to build two solar projects, the Deerfoot and Barlow projects in Calgary Alberta, with a combined capacity of 64-MW. Electricity from these solar projects may be sold through a contracted Power Purchase Agreement with any uncontracted electricity sold into the Alberta power market. The projects will be the largest urban solar developments in Western Canada and will provide enough renewable electricity to power more than 18,000 homes. The Barlow and Deerfoot projects have received all major permits. Detailed design and procurement for both projects has begun and commercial operations are expected to commence in the fourth quarter of 2022.

Rendering of Deerfoot Solar Development Project - Calgary, AB

Empress Solar Development Project

In September 2021, Canadian Utilities announced that it had acquired the rights to the Empress Solar project, a 39-MW solar facility under development near Empress, Alberta. Electricity from this solar project may be sold through a contracted Power Purchase Agreement with any uncontracted electricity sold into the Alberta power market. The project will provide enough renewable electricity to power more than 11,000 homes. Project execution is underway with all major permits received. Commercial operations are expected to commence in the fourth quarter of 2022.

Two Hills Renewable Natural Gas (RNG) Facility

In July 2021, Canadian Utilities announced its partnership with Future Fuel Ltd. to build and operate the Two Hills RNG facility north of Vegreville, Alberta. The RNG facility will combine organic waste from nearby municipalities with agricultural byproducts to produce approximately 230,000 gigajoules per year of renewable natural gas (enough to fuel 2,500 homes). Detailed design is currently underway and the facility is targeting to commence commercial operations in the fourth quarter of 2022.

The RNG produced will be delivered into the local gas distribution network and sold under a 15-year sales contract between Pacific Northern Gas Ltd. (PNG) and ATCO Future Fuel RNG Limited Partnership (ATCO Future Fuel).

Two Hills Renewable Natural Gas (RNG) Facility - Vegreville, AB

Canadian Utilities - Suncor Clean Hydrogen Project

In May 2021, Canadian Utilities and Suncor Energy announced the decision to collaborate on early stage design and engineering of a potential clean hydrogen project. The project will produce more than 300,000 tonnes per year of clean hydrogen, while capturing greater than 90 per cent of the carbon emissions, reducing Alberta's carbon dioxide emissions by more than two million tonnes per year. The hydrogen production facility will be located at ATCO's Heartland Energy Centre near Fort Saskatchewan, Alberta, and is expected to be operational as early as 2028. Although several provincial and federal policies, fiscal programs and regulations have already been put in place to support significant decarbonization and the development of a leading low-carbon fuels industry, further regulatory certainty and fiscal support is required for the project to progress to a sanctioning decision (which is expected in 2024). In addition to supplying clean hydrogen to Suncor and the Alberta gas grid, the project will make hydrogen volumes available for Alberta's other industrial, municipal and commercial transport users.

Clean Energy Innovation Park

In May 2021, Canadian Utilities and its joint venture partner, Australian Gas Infrastructure Group, received notification of $29 million AUD in conditional funding from the Australian Renewable Energy Agency (ARENA) to kick start the production of hydrogen through a large scale project at Canadian Utilities' proposed Clean Energy Innovation Park (CEIP) in Western Australia. The proposed project will leverage Canadian Utilities' learnings from its Clean Energy Innovation Hub, a pilot project which saw the company become the first in Australia to generate and use green hydrogen. The CEIP will include a 10-MW electrolyser and plant capable of producing up to four tonnes of hydrogen per day, along with storage and delivery to gas network injection points. The facility is planned to be co-located with a 180-MW wind farm in Western Australia, which will provide the renewable energy to power the electrolyser. A final investment decision for this project is expected in the first half of 2022.

Chile Solar Generation Facility

In 2019, Canadian Utilities entered into a partnership with Impulso Capital, a Chilean developer, to build and operate the El Resplandor solar project. This project, located in Cabrero, Chile, provides solar energy to the Chilean electricity grid. The 3-MW of solar generation capacity was completed at the end of the second quarter of 2020 for a total investment of $4 million. In the second quarter of 2021, Canadian Utilities made the decision to cancel the remaining planned 6-MW of the project due to land zoning concerns.

Central West Pumped Storage Hydro Project

In February 2021, Canadian Utilities announced an agreement to acquire the rights to develop the 325-MW Central West Pumped Storage Hydro project, located approximately 175-km west of Sydney, Australia. The acquisition marks Canadian Utilities' first renewable energy investment on Australia’s east coast. The project is in close proximity to significant renewable energy resources and will be integral in supporting the development of new renewable generation capacity in the state of New South Wales. A final investment decision on project construction is expected in 2023.

CORPORATE & OTHER

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

ADJUSTED EARNINGS

	Three Months Ended December 31			Year Ended December 31		
($ millions)	**2021**	**2020**	**Change**	**2021**	**2020**	**Change**
Canadian Utilities Corporate & Other	**(18)**	(21)	3	**(77)**	(77)	—

Canadian Utilities' Corporate & Other adjusted earnings in the fourth quarter of 2021 were $3 million higher compared to the same period in 2020 mainly due to the timing of certain expenses and improved earnings from ATCOenergy resulting from increased commodity margins.

Canadian Utilities' Corporate & Other adjusted earnings in the full year of 2021 were comparable to the same period in 2020.

CANADIAN UTILITIES CORPORATE & OTHER RECENT DEVELOPMENTS THROUGHOUT 2021

Rümi Launch

On June 3, 2021, Canadian Utilities launched Rümi, a solutions provider for home and business owners, offering lifestyle products, home maintenance services and professional advice for homeowners. Rümi currently offers approximately 60 services in Edmonton and Calgary, and more than 750 products for purchase online.

Executive Appointment

On October 6, 2021, the Canadian Utilities Board of Directors announced the appointment of Brian Shkrobot to the position of Executive Vice President & Chief Financial Officer of Canadian Utilities Limited.

New Board of Directors Appointee

Effective September 1, 2021, Robert Hanf, Q.C. was appointed to the Board of Directors for Canadian Utilities Limited.

SUSTAINABILITY, CLIMATE CHANGE AND ENERGY TRANSITION

Within the ATCO group of companies (including Canadian Utilities), we balance the short- and long-term economic, environmental and social considerations of our businesses while creating value for our customers, employees, share owners, and Indigenous and community partners. As a provider of essential services in diverse communities around the world, we operate in an inclusive manner to meet the needs of society today and for generations to come while consistently delivering safe, reliable and affordable services.

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

Sustainability Reporting and ESG Targets

ATCO's 2021 Sustainability Report, which will be published in May 2022, will focus on the following material topics:

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

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

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

The 2021 Sustainability Report, Sustainability Framework Reference Document, Corporate Governance, materiality assessment, and additional details and other disclosures will be available on our website at www.canadianutilities.com.

Climate Change and Energy Transition

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

POLICY/REGULATORY UPDATE

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

Carbon Pricing/Output-Based Pricing Systems

In April 2021, the carbon price in Canada increased from $30 to $40 per tonne, and by 2022 it is expected to reach $50 per tonne. In December 2020, the Government of Canada announced their plan on climate change, proposing to increase the carbon price by $15 per tonne each year starting in 2023, rising to $170 per tonne by 2030.

In December 2021, the Government of Alberta, confirmed that the Technology, Innovation and Emissions Reduction (TIER) regulation will increase from $40 per tonne in 2021 to $50 per tonne in 2022, meeting the federal government's stringency requirements for the emission sources they cover. Accordingly, the federal fuel charge continues to apply in Alberta, but not the federal Output-Based Pricing System. In the future, as carbon price increases and new updated initiatives are put in place by the federal government, TIER will also need to be updated to meet the federal government's stringency requirements.

In Australia, under the National Greenhouse and Energy Reporting scheme, a safeguard mechanism applies to facilities with direct covered emissions of more than 100,000 tonnes of carbon dioxide equivalent per year and affects our natural gas-fired power generation facilities. These facilities are required to keep their net emissions at or below emissions baselines set by the Clean Energy Regulator or surrender Australia Carbon Credit Units to offset their emissions and stay below their baseline.

Net-Zero Emissions Accountability Act

On June 29, 2021, the Net-Zero Emissions Accountability Act came into effect outlining the Government of Canada's commitment to achieve net-zero GHG emissions by 2050, as well as a 2030 target under the Paris Agreement to reduce GHG emissions by 40 to 45 per cent from 2005 levels. The Act establishes a legally binding process to set five-year national emissions-reduction targets, with the 2030 plan due by the end of March 2022. The Act also requires national emissions reduction targets for 2035, 2040, and 2045, ten years in advance, with credible, science-based emissions reduction plans to achieve it.

The Government of Canada is currently consulting on initiatives in early 2022 as part of their commitments to the emission-reduction targets. If these initiatives move forward, it may create both opportunities and challenges directly and indirectly for Canadian Utilities. Some of these initiatives include: transitioning to a net-zero emitting electricity grid by 2035; developing emission standards for different categories of vehicles and mandating a percentage of zero emission vehicles by specific dates; capping emissions from the oil and gas sector at current levels and declining at the pace to get to net zero by 2050; and developing a plan to reduce methane emissions across the broader Canadian economy in support of the Global Methane Pledge and Canada's climate plan goals to reduce oil and gas methane emissions by at least 75 percent below 2012 levels by 2030.

Methane Reductions

In December 2020, Alberta reached equivalency with federal methane regulations to reduce methane emissions by 40 to 45 per cent from 2012 levels by 2025. Canadian Utilities continues to implement programs to reduce or eliminate fugitive and venting emissions in our Natural Gas Transmission and Distribution businesses.

In January 2020, a new estimation method to report Unaccounted for Gas (UAFG) emissions resulting from natural gas distribution activities was introduced in Australia. This approach enables site/network specific UAFG values to be used, allowing Canadian Utilities to translate network maintenance and replacement activities into reportable reductions in UAFG emissions.

Clean Fuel Standards

In July 2021, the Government of Canada announced that the scope of the Clean Fuel Standards (CFS) was further refined to cover only gasoline and diesel liquid fossil fuels used predominately in transportation (with an exemption for diesel used in space heating). The regulations are expected to come into effect in late 2022.

Hydrogen Roadmap

In December 2020, the Government of Canada released their Hydrogen Strategy for Canada. In November 2021, the Government of Alberta released the Alberta Hydrogen Roadmap outlining the Government's approach to developing hydrogen use and production in Alberta. The Hydrogen Roadmap is an action plan that integrates hydrogen with the province's existing energy infrastructure. It is a key part of Alberta's Recovery Plan and will be implemented in a phased approach. In the first phase, Alberta will establish policy foundations, close technology gaps with research and innovation, reduce the carbon intensity of existing hydrogen production, and deploy clean hydrogen into end-use markets. The second phase will focus on growth and commercialization. These actions will be implemented by working closely with partner agencies, federal, provincial and municipal governments, industries and other key partners and stakeholders.

ENERGY TRANSITION HIGHLIGHTS

To support the energy transition, we continue to explore and implement opportunities in cleaner fuels, renewable energy, energy infrastructure and storage, and energy efficiency. We intend to expand our ownership, management and development of clean energy solutions, as well as enable our customers to transition to lower-emitting sources of energy.

Renewable Energy

Canadian Utilities continues to build its renewable energy portfolio and enable customers to integrate renewable energy options. Renewable energy initiatives are discussed in the "Business Unit Performance" section, under the "Utilities" and "Energy Infrastructure" sections in this MD&A, and include the examples highlighted below.

In February 2021, Canadian Utilities acquired the rights to develop the 325-MW Central West Pumped Storage Hydro project, located approximately 175-km west of Sydney, Australia. The project is in close proximity to significant renewable energy resources and will be integral in supporting the development of new renewable generation capacity in the state of New South Wales.

In August 2021, the Vuntut Gwitchin First Nation and Canadian Utilities completed Canada's most northerly off-grid solar project, reducing diesel use by 189,000 litres annually in Old Crow, Yukon and providing the community with clean energy for decades to come.

In September 2021, Canadian Utilities acquired the rights to the Empress Solar Project, a 39-MW photovoltaic solar facility under development near the village of Empress, Alberta. Canadian Utilities also acquired the rights to build two solar installations in Calgary. Once complete, the Barlow and Deerfoot solar projects will be the largest solar installation in a major urban centre in Western Canada, with a combined capacity of 64-MW.

Cleaner Fuels

Canadian Utilities continues to pursue opportunities in cleaner fuels including RNG and hydrogen, and below are examples that are included in the "Business Unit Performance - Energy Infrastructure" section in this MD&A.

Building on our hydrogen blending project in Fort Saskatchewan, in May 2021 Canadian Utilities and Suncor Energy announced the decision to collaborate on early stage design and engineering of a potential clean hydrogen project. The project will produce more than 300,000 tons per year of clean hydrogen, while capturing greater than 90 per cent of the carbon emissions, reducing Alberta's carbon dioxide emissions by more than two million tons per year.

In May 2021, Canadian Utilities and its joint venture partner, Australian Gas Infrastructure Group, received notification of conditional grant funding from Australian Renewable Energy Agency of $29 million AUD to contribute financing for the production of hydrogen through a large scale project at Canadian Utilities' proposed Clean Energy Innovation Park in Western Australia. The proposed project will leverage Canadian Utilities' learnings from its Clean Energy Innovation Hub, a pilot project which saw the company become the first in Australia to generate and use green hydrogen.

In July 2021, Canadian Utilities partnered with Future Fuel Ltd. to build and operate a RNG facility in Alberta with Emissions Reduction Alberta committing $8 million to the project through its Natural Gas Challenge. Located north of Vegreville, Alberta, the Two Hills RNG Facility is Canadian Utilities' first commercial RNG production facility and a strategic investment in Canadian Utilities's clean fuels strategy. Detailed design is currently underway and full commercial operation is expected to be achieved in late 2022.

Our Performance

As our portfolio of assets and businesses evolves, so too does our environmental footprint. Since 2005, we have significantly decarbonized our portfolio through a combination of asset sales, implementation of fuel-switching, GHG reduction initiatives and other efficiency programs.

CLIMATE CHANGE RESILIENCY

We carefully manage climate-related risks, including preparing for, and responding to, extreme weather events through activities such as proactive route and site selection, asset hardening, regular maintenance, and insurance. The Company follows regulated engineering codes and continues to evaluate ways to create greater system reliability and resiliency. When planning for capital investment or acquiring assets we consider site specific climate and weather factors, such as flood plain mapping and extreme weather history.

In our Electricity Transmission and Distribution operations, grid resiliency initiatives focus on prevention, protection, and reaction. Prevention includes minimizing operational risks and ensuring system adequacy through system planning and coordination. Protection is focused on improving grid resiliency through activities such as retrofitting and vegetation management to reduce incidents that result in outages. Wildfire Management Plans include requirements to conduct annual patrols of all transmission power lines in forest protection areas. Finally, we look to restore services in the shortest possible timeframe through grid modernization, adequate contingency planning and dispatch.

In our Natural Gas Transmission and Distribution businesses, the majority of the pipeline network is underground, making it less susceptible to extreme weather events. We work with regulators to increase resiliency where appropriate through asset improvement projects. We have also mapped and continue to regularly inspect pipeline water crossings.

We have streamlined our Crisis Response and Emergency Preparedness systems, and we continuously improve our ability to rapidly mobilize and effectively respond to crises globally. We incorporate learnings from responding to extreme weather events which enables us to continue to strengthen our emergency response capabilities.

CLIMATE CHANGE CHALLENGES AND OPPORTUNITIES

While climate-related challenges and opportunities are integrated throughout our strategy and risk management processes, we understand that specifically disclosing climate-related information aligned with the TCFD recommendations is also useful for the investment community.

In addition to the material risks described in the Business Risks and Risk Management section of this MD&A, the following table provides further information on how we address specific climate-related challenges and opportunities.

Category/Driver		**Challenges**	**Opportunities**	**Mitigation Options/ Measures**
Transitional	**Policy/Regulatory**	Operations in several jurisdictions subject to emissions limiting regulations Aggressive shifts in policy which do not allow for transition in an effective, affordable manner	Continued fuel switching to lower-emitting options Coal-to-gas electricity generation conversions by other companies present opportunities for increased demand for natural gas transmission infrastructure investment in the near to medium term Electricity grid modernization Hydrogen economy development	Active participation in policy development, industry groups, and regulatory discussions Business diversification Removal of coal-fired electricity generation from our portfolio in 2019 Hydrogen research and development
	Market	Changes in carbon policy, costs of operations, and commodity prices Changing customer behaviour	Increasing demand for lower-emitting technologies Hydrogen market development Distributed energy solutions	Participation in carbon markets Business diversification Removal of coal-fired electricity generation from our portfolio in 2019
	Technology	Replacement of current products/services with lower-emitting options Prosumer movement may affect energy load profiles in the future	A transition to lower-emitting energy systems provides opportunities to utilize expertise in: generation, integration and delivery of new energy sources including hydrogen, renewable natural gas, EV networks; and transmission and distribution infrastructure to ensure energy network reliability and security	Providing a suite of lower-emitting technology solutions so our customers can pick the right solutions for their unique situation
	Reputational	Public perception of carbon risk	Increase in demand for trusted long-term partners to deliver lower-emitting solutions	Transparent reporting Authentic engagement and collaboration
Physical	**Physical**	Extreme weather events Long-term changes in temperature and weather patterns	Climate change mitigation and adaptation Rapidly deployable structures and logistics services	Climate change resiliency efforts Emergency Response & Preparedness plans and training

OTHER EXPENSES AND INCOME

A financial summary of other consolidated expenses and income items for the fourth quarter and full year of 2021 and 2020 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 December 31			Year Ended December 31		
($ millions)	**2021**	**2020**	**Change**	**2021**	**2020**	**Change**
Operating costs	**553**	499	54	**1,982**	1,682	300
Depreciation, amortization and impairment	**138**	158	(20)	**651**	610	41
Earnings from investment in joint ventures	**22**	12	10	**58**	31	27
Net finance costs	**112**	98	14	**402**	386	16
Income tax expense	**69**	32	37	**138**	152	(14)

OPERATING COSTS

Operating costs, which are total costs and expenses less depreciation, amortization and impairment, increased by $54 million in the fourth quarter of 2021 compared to the same period in 2020. Higher operating costs were mainly due to increased consumption and higher energy prices in ATCO Energy, and higher flow-through natural gas transmission costs.

Operating costs increased by $300 million for the full year of 2021 compared to the same period in 2020. Higher operating costs were mainly due to increased consumption and higher energy prices in ATCO Energy, higher flow-through natural gas transmission costs, and higher unrealized and realized losses on derivative financial instruments in 2021.

DEPRECIATION, AMORTIZATION AND IMPAIRMENT

Depreciation, amortization and impairment decreased by $20 million in the fourth quarter of 2021 compared to the same period in 2020 mainly due to project cost recoveries related to the conclusion of an international project, partially offset by higher depreciation in Electricity Transmission as a result of a project cancellation.

Depreciation, amortization and impairment increased by $41 million in the the full year of 2021 compared to the same period in 2020 mainly due to the second quarter 2021 impairment of assets in Canadian Utilities' Energy Infrastructure segment as part of the continued assessment of our assets.

EARNINGS FROM INVESTMENT IN JOINT VENTURES

Earnings from investment in joint ventures is mainly comprised of Canadian Utilities' ownership positions in electricity generation plants, LUMA Energy electricity operations and maintenance in Puerto Rico, and the Strathcona Storage Limited Partnership, which operates hydrocarbon storage facilities at the ATCO Heartland Energy Centre near Fort Saskatchewan, Alberta.

Earnings from investment in joint ventures increased by $10 million in the fourth quarter of 2021 compared to the same period in 2020 mainly due to earnings from LUMA Energy related to the commencement on June 1, 2021 of the Supplemental Agreement to LUMA Energy's 15-year Operations and Maintenance Agreement.

Earnings from investment in joint ventures increased by $27 million in the full year of 2021 compared to the same period in 2020 mainly due to earnings from LUMA Energy related to ongoing transition work in the first half of 2021, and the commencement on June 1, 2021 of the Supplemental Agreement to LUMA Energy's 15-year Operations and Maintenance Agreement, partially offset by an impairment of an investment in Canadian Utilities' Energy Infrastructure segment as part of the continued assessment of our assets.

NET FINANCE COSTS

Net finance costs increased by $14 million and $16 million in the fourth quarter and full year of 2021 compared to the same periods in 2020 mainly due to recognition of accretion expense on asset retirement obligations related to an international project and lower interest income resulting from lower interest rates received on cash balances.

INCOME TAX EXPENSE

Income taxes were higher by $37 million in the fourth quarter of 2021 compared to the same period in 2020 mainly due to higher IFRS earnings before income taxes and a write down of deferred tax assets in ATCO Mexico.

Income taxes were lower by $14 million in the full year of 2021 compared to the same period in 2020 mainly due to lower IFRS earnings before income taxes, partially offset by a write down of deferred tax assets in ATCO Mexico.

LIQUIDITY AND CAPITAL RESOURCES

Our financial position is supported by our Regulated Utilities and our portfolio of energy infrastructure businesses, which are structured to be highly regulated and long-term contracted. Our business strategies, funding of operations, and planned future growth are supported by maintaining strong investment grade credit ratings and access to capital markets at competitive rates. Primary sources of capital are cash flow from operations and capital markets.

We consider it prudent to maintain enough liquidity to fund approximately one full year of cash requirements to preserve strong financial flexibility. Liquidity is generated by cash flow from operations and is supported by appropriate levels of cash and available committed credit facilities.

CREDIT RATINGS

Credit ratings are important to the Company's financing costs and ability to raise funds. The Company intends to maintain strong investment grade credit ratings in order to provide efficient and cost-effective access to funds required for operations and growth.

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

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

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

On August 31, 2021, S&P Global Ratings affirmed its 'A-' long-term issuer credit rating and negative outlook on Canadian Utilities. On July 30, 2021, S&P Global Ratings affirmed Canadian Utilities subsidiary CU Inc.'s 'A-' long-term issuer credit rating and stable outlook, reflecting S&P's view that CU Inc. is an insulated entity to ATCO Ltd. and Canadian Utilities.

On August 13, 2021, DBRS Limited affirmed its 'A' long-term corporate credit rating and stable outlook on Canadian Utilities. On July 22, 2021, DBRS Limited affirmed its ‘A (high)’ long-term corporate credit rating and stable outlook on Canadian Utilities’ subsidiary CU Inc.

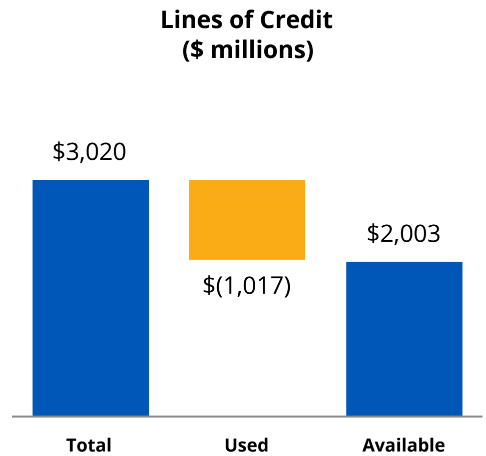
LINES OF CREDIT

At December 31, 2021, Canadian Utilities and its subsidiaries had the following lines of credit.

($ millions)	Total	Used	Available
Long-term committed	**2,467**	832	1,635
Uncommitted	**553**	185	368
Total	**3,020**	1,017	2,003

Of the $3,020 million in total lines of credit, $553 million was in the form of uncommitted credit facilities with no set maturity date. The other $2,467 million in credit lines was committed, with maturities between 2023 and 2026, and may be extended at the option of the lenders.

Of the $1,017 million in lines of credit used, $626 million was related to ATCO Gas Australia Pty Ltd. Long-term committed credit lines are used to satisfy all of ATCO Gas Australia Pty Ltd.'s term debt financing needs. The majority of the remaining usage is for the issuance of letters of credit.



CONSOLIDATED CASH FLOW

At December 31, 2021, the Company's cash position was $750 million, a decrease of $28 million compared to December 31, 2020. Major movements are outlined in the following table:

($ millions)	Year Ended December 31 2021	2020	Change
Cash flows from operating activities	**1,718**	1,631	87
Net issue of long-term debt	**294**	46	248
Issue of short-term debt	**206**	—	206
Cash used for capital investment [(1)]	**(1,338)**	(912)	(426)
Issue of equity preferred shares	**201**	—	201
Redemption of equity preferred shares by subsidiary company	**(110)**	—	(110)
Dividends paid on equity preferred shares	**(65)**	(67)	2
Dividends paid to non-controlling interests	**(7)**	(7)	—
Dividends paid to Class A and Class B share owners	**(476)**	(477)	1
Interest paid	**(385)**	(393)	8
Other	**(66)**	(20)	(46)
(Decrease) in cash position	**(28)**	(199)	171

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

Cash Flows from Operating Activities

Cash flows from operating activities were $510 million in the fourth quarter of 2021, $90 million higher compared to the same period in 2020 mainly due to higher cash flows in the Natural Gas Distribution business as a result of higher revenues.

Cash flows from operating activities were $1,718 million in the full year of 2021, $87 million higher compared to the same period in 2020 mainly due to higher customer contributions received for Alberta Utilities' capital expenditures. These amounts were partially offset by the Company's decision to provide rate relief to customers through the deferral of rate increases for the Electricity Distribution and Natural Gas Distribution businesses, which will be collected from customers starting in 2022.

Cash flows from operating activities in 2021 are adversely impacted as a result of Canadian Utilities' decision to provide rate relief to customers through the deferral of rate increases for Electricity Distribution and Natural Gas Distribution which will be collected from customers starting in 2022.

Cash Used for Capital Investment [(1)] and Capital Expenditures

Cash used for capital investment was $426 million in the fourth quarter of 2021, $173 million higher compared to the same period in 2020 mainly due to the acquisition of the Alberta Hub natural gas storage facility in the Energy Infrastructure segment and a strategic land purchase.

Cash used for capital expenditures was $334 million in the fourth quarter of 2021, $83 million higher compared to the same period in 2020 mainly due to a strategic land purchase.

Cash used for capital investment was $1,338 million in the full year of 2021, $426 million higher compared to the same period in 2020 mainly due to the acquisition of the Pioneer Pipeline in the Natural Gas Transmission business; and the acquisition of the Alberta Hub natural gas storage facility, the acquisition of three solar development projects, and the construction of a long-term contracted hydrocarbon storage cavern in the Energy Infrastructure segment.

Total capital expenditures were $1,227 million in the full year of 2021, $324 million higher compared to the same period in 2020, mainly due to the acquisition of the Pioneer Pipeline in the Natural Gas Transmission business, and the acquisition of three solar development projects in the Energy Infrastructure segment.

Capital investment and capital expenditures for the fourth quarter and full year of 2021 and 2020 is shown in the table below.

	Three Months Ended December 31			Year Ended December 31		
($ millions)	**2021**	**2020**	**Change**	**2021**	**2020**	**Change**
Utilities						
Electricity	**92**	95	(3)	**350**	366	(16)
Natural Gas	**159**	148	11	**747**	510	237
	251	243	8	**1,097**	876	221
Energy Infrastructure [(1)]	**80**	5	75	**120**	19	101
CU Corporate & Other	**3**	3	—	**10**	8	2
Canadian Utilities Total Capital Expenditures [(2) (3)]	**334**	251	83	**1,227**	903	324
Capital Expenditures in joint ventures						
Utilities						
Electricity	**2**	—	2	**5**	—	5
Energy Infrastructure	**6**	2	4	**22**	9	13
Business Combinations						
Energy Infrastructure	**84**	—	84	**84**	—	84
Canadian Utilities Total Capital Investment [(4)]	**426**	**253**	**173**	**1,338**	**912**	**426**

(1) In the fourth quarter of 2021, Storage and Industrial Water purchased land from an ATCO affiliate for project development.

(2) Includes additions to property, plant and equipment, intangibles and $(3) million and $6 million (2020 - $3 million and $13 million) of capitalized interest during construction for the fourth quarter and full year of 2021. The $(3) million of capitalized interest during construction recognized in the fourth quarter relates to a project cancellation.

(3) Includes $38 million and $169 million for the fourth quarter and full year of 2021 (2020 - $37 million and $82 million) of capital expenditures, mainly in the Utilities, that were funded with the assistance of customer contributions.

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

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

Base Shelf Prospectus - CU Inc. Debentures

On September 16, 2020, CU Inc. filed a base shelf prospectus that permits it to issue up to an aggregate of $1.2 billion of debentures over the 25-month life of the prospectus. As of February 22, 2022, aggregate issuances of debentures were $610 million.

Preferred Shares - CU Inc.

Effective June 1, 2021, the annual dividend rate on CU Inc.'s Cumulative Redeemable Preferred Shares Series 4 was reset from 2.243 per cent to 2.292 per cent for a five-year period.

Redemption of Equity Preferred Shares

On August 27, 2021, the Company redeemed all of the issued 4.60 per cent Series V preferred shares for $110 million plus accrued dividends. $79 million of Series V was allocated to the Alberta Utilities under CU Inc. and this portion was subsequently replaced with long-term debt as part of CU Inc.'s September 2021 debenture issue.

Preferred Shares Issuances

On December 9, 2021, Canadian Utilities issued $175 million of 4.75 per cent Cumulative Redeemable Second Preferred Shares Series HH by means of a short form prospectus and granted an underwriter option to purchase an additional $26 million. This option was exercised in December 2021 increasing the total gross proceeds to $201 million. The Company intends to use the proceeds for capital expenditures, to repay indebtedness and for other general corporate purposes.

Dividends and Common Shares

We have increased our common share dividend each year since 1972, a 50-year track record. Dividends paid to Class A and Class B share owners totaled $119 million in the fourth quarter of 2021 and $476 million in the full year of 2021.

On January 13, 2022, the Board of Directors declared a first quarter dividend of 44.42 cents per share. The payment of any dividend is at the discretion of the Board of Directors and depends on our financial condition and other factors.

Normal Course Issuer Bid

We believe that, from time to time, the market price of our Class A shares may not fully reflect the value of our business, and that purchasing Class A shares represents a desirable use of available funds. The purchase of Class A shares, at appropriate prices, will also minimize any dilution resulting from the exercise of stock options.

On July 22, 2020, we commenced a normal course issuer bid to purchase up to 3,996,004 outstanding Class A shares. This bid expired on July 21, 2021. During this period, 3,996,004 shares were purchased for $132 million, of which 3,576,004 shares for $119 million were purchased in 2021.

On July 29, 2021, we commenced a normal course issuer bid to purchase up to 3,930,623 outstanding Class A shares. The bid will expire on July 28, 2022. To date, no shares have been purchased.

SHARE CAPITAL

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

At February 22, 2022, we had outstanding 196,977,347 Class A shares, 72,373,274 Class B shares, and options to purchase 1,521,250 Class A shares.

CLASS A NON-VOTING SHARES AND CLASS B COMMON SHARES

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

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

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

Of the 12,800,000 Class A shares authorized for grant of options under our stock option plan, 2,905,900 Class A shares were available for issuance at December 31, 2021. 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 March 31, 2020 through December 31, 2021.

($ millions, except for per share data)	Q1 2021	Q2 2021	Q3 2021	Q4 2021
Revenues	907	790	790	**1,028**
Earnings attributable to equity owners of the Company	141	5	71	**176**
Earnings (loss) attributable to Class A and B shares	124	(11)	55	**160**
Earnings (loss) per Class A and Class B share *($)*	0.46	(0.04)	0.20	**0.59**
Diluted earnings (loss) per Class A and Class B share *($)*	0.46	(0.04)	0.20	**0.59**
Adjusted earnings per Class A and Class B share *($)*	0.70	0.43	0.33	**0.71**
Adjusted earnings (loss)				
Utilities [1]	201	124	104	**206**
Energy Infrastructure	10	7	7	**4**
Corporate & Other and Intersegment Eliminations	(20)	(16)	(23)	**(18)**
Total adjusted earnings [1]	191	115	88	**192**

($ millions, except for per share data)	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Revenues	885	740	727	881
Earnings attributable to equity owners of the Company	160	72	91	104
Earnings attributable to Class A and Class B shares	143	56	74	87
Earnings per Class A and Class B share *($)*	0.52	0.21	0.27	0.32
Diluted earnings per Class A and Class B share *($)*	0.52	0.21	0.27	0.32
Adjusted earnings per Class A and Class B share *($)*	0.66	0.34	0.28	0.68
Adjusted earnings (loss)				
Utilities [1]	189	111	89	195
Energy Infrastructure	5	4	7	12
Corporate & Other and Intersegment Eliminations	(15)	(21)	(20)	(21)
Total adjusted earnings [1]	179	94	76	186

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

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

ADJUSTED EARNINGS

UTILITIES [1]

In the first quarter of 2020, Utilities adjusted earnings were positively impacted by cost efficiencies, rate base growth, and lower income taxes. Higher earnings were partially offset by the completion of ECM funding in 2019 for Electricity Distribution and Natural Gas Distribution.

In the second quarter of 2020, adjusted earnings in the Utilities were adversely impacted by the prior period impact of the Electricity Transmission 2018-2019 GTA decision received in the second quarter of 2019, the adverse earnings impact of the new five-year Access Arrangement regulatory decision in International Natural Gas Distribution, the transition to APL operating activities by Electricity Transmission with completion of project management construction activities at the end of the first quarter of 2019, and the completion of the incremental ECM funding in 2019 for Electricity Distribution and Natural Gas Distribution.

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

In the third quarter of 2020, adjusted earnings in the Utilities were adversely impacted by the adverse earnings impact of the five-year Access Arrangement regulatory decision, an adjustment for the impact of forecasted inflation rates in International Natural Gas Distribution and the transition to APL operating activities by Electricity Transmission. Lower earnings were partially offset by ongoing cost efficiencies and rate base growth across the Utilities, and contributions in International Electricity Operations from Canadian Utilities' 50 per cent joint venture ownership in LUMA Energy which commenced work in Puerto Rico at the end of the second quarter of 2020.

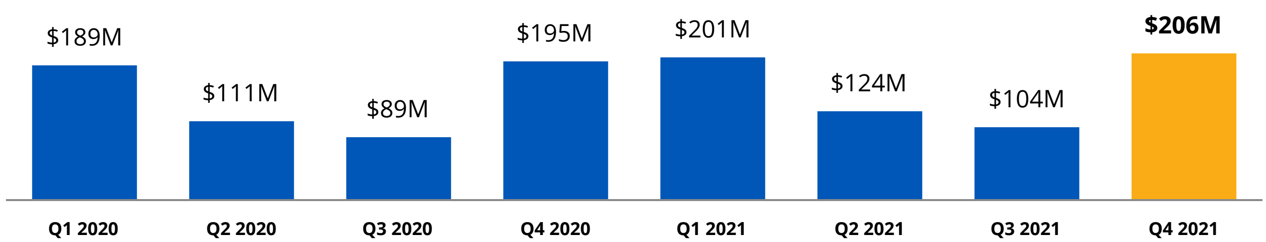
In the fourth quarter of 2020, adjusted earnings in the Utilities were positively impacted by cost efficiencies, rate base growth, and contributions in International Electricity Operations from Canadian Utilities' 50 per cent joint venture ownership in LUMA Energy.

In the first quarter of 2021, adjusted earnings in the Utilities were higher than the same period in 2020. Higher earnings were mainly due to cost efficiencies and continued growth in the regulated rate base, earnings from International Electricity Operations, and inflation indexing and foreign exchange adjustments in International Natural Gas Distribution.

In the second quarter of 2021, adjusted earnings in the Utilities were higher than the same period in 2020. Higher earnings were mainly due to contributions from International Electricity Operations, a higher inflation rate in International Natural Gas Distribution, and cost efficiencies, partially offset by the impact of the Electricity Transmission 2018-2019 General Tariff Application (GTA) Compliance Filing decision received in the second quarter of 2021.

In the third quarter of 2021, adjusted earnings in the Utilities were higher than the same period in 2020. Higher earnings were mainly due to higher earnings from International Electricity Operations, inflation indexing in International Natural Gas Distribution, and cost efficiencies within the Electricity Distribution business.

In the fourth quarter of 2021, adjusted earnings in the Utilities were higher than the same period in 2020 mainly due to higher earnings from International Electricity Operations, and inflation indexing in International Natural Gas Distribution. Higher earnings were partially offset by timing of operating costs.



ENERGY INFRASTRUCTURE

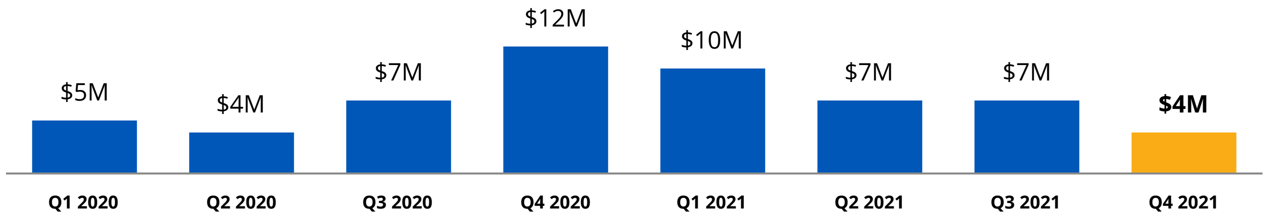
In all quarters of 2020, Energy Infrastructure earnings were adversely impacted due to the sale of the Canadian fossil fuel-based electricity generation business in the third quarter of 2019 and the sale of APL in the fourth quarter of 2019.

In the first quarter of 2021, Energy Infrastructure earnings were higher than the same period in 2020 mainly due to increased demand for natural gas storage services and recovered business development costs.

In the second quarter of 2021, Energy Infrastructure earnings were higher than the same period in 2020 mainly due to recovered business development costs, partially offset by lower demand for natural gas storage services.

In the third quarter of 2021, Energy Infrastructure earnings were comparable to the same period in 2020.

In the fourth quarter of 2021, Energy Infrastructure earnings were lower than the same period in 2020 mainly due to the costs associated with the purchase of the Alberta Hub natural gas storage facility, Central West Pumped Hydro development costs, non-recurring recoveries in 2020, and lower demand for natural gas storage services.



EARNINGS ATTRIBUTABLE TO EQUITY OWNERS OF THE COMPANY

Earnings attributable to equity owners of the Company includes timing adjustments related to rate-regulated activities and unrealized gains or losses on mark-to-market forward and swap commodity contracts. They also include one-time gains and losses, impairments, and other items that are not in the normal course of business or a result of day-to-day operations recorded at various times over the past eight quarters. These items are excluded from adjusted earnings and are highlighted below:

- In the second quarter of 2020, impairment and other costs not in the normal course of business of $30 million (after-tax) were recorded. These costs mainly related to certain assets that no longer represent strategic value for the Company.
- Early Termination of the Master Service Agreements for Managed IT Services
    - In the fourth quarter of 2020 and first quarter of 2021, the Company signed MSAs with IBM Canada Ltd. (subsequently novated to Kyndryl Canada Ltd.) and IBM Australia Limited (IBM), respectively, to provide managed IT services. These services were previously provided by Wipro under a ten-year MSA expiring in December 2024. The Company recognized termination costs of $55 million and $4 million (after-tax) in the fourth quarter of 2020 and first quarter of 2021, respectively, which represents managements' best estimate of the costs to exit the Wipro MSAs.
    - The transition of the managed IT services from Wipro to IBM commenced on February 1, 2021 and is now complete. In the fourth quarter and full year of 2021, Canadian Utilities recognized transition costs of $8 million and $42 million (after-tax), respectively.
- In the second quarter of 2021, impairments and other costs not in the normal course of business of $65 million (after-tax) were recorded. The Company incurred $54 million of these costs in Mexico, related mainly to its Veracruz hydro facility within its Energy Infrastructure segment. The charge reflects an adverse arbitration decision, changes in market regulations, ongoing political uncertainty, and a challenging operating environment, resulting in an impairment of the carrying value of the assets. Other costs recorded were individually immaterial.
- AUC Enforcement Proceeding
    - In the fourth quarter of 2021, the AUC enforcement branch filed an application with the AUC recommending an enforcement proceeding be initiated. This proceeding is to determine whether ATCO Electric failed to comply with AUC decisions and enactments under the AUC's jurisdiction with respect to the sole source contract for the Jasper interconnection project and the actions leading up to and including the filing of the 2018-2020 Deferral Account Application. This proceeding will also determine any future remedies that may be required.
    - AUC Enforcement and Electricity Transmission are pursuing settlement discussions prior to the AUC determining the next process steps. In 2021, the Company recognized expenses of $14 million (after-tax) due to the potential outcome of the proceeding.
- During the fourth quarter and full year of 2021, the Company recorded earnings of $17 million (after-tax) following the conclusion of the Company's involvement in an international project.

BUSINESS RISKS AND RISK MANAGEMENT

The Board of Directors is responsible for understanding the principal risks of the businesses in which the Company is engaged. The Board also must achieve a prudent balance between risks incurred and the potential return to share owners. It must confirm controls are in place that effectively monitor and manage those risks for the Company's long-term viability.

The Board has an Audit & Risk Committee, which reviews significant risks associated with future performance and growth. This committee is responsible for confirming that management has procedures in place to mitigate identified risks.

We have an established enterprise risk management process that allows us to identify and evaluate our risks by both severity of impact and probability of occurrence. Materiality thresholds are reviewed annually by the Audit & Risk Committee. Non-financial risks that may have an impact on the safety of our employees, customers or the general public and reputation risks are also evaluated. The following table outlines our current significant risks and associated mitigations.

Business Risk: Capital Investment		
Businesses Impacted:	**Associated Strategies:**	
• All businesses	• Growth	• Financial Strength

Description & Context

The Company is subject to the normal risks associated with major capital projects, including cancellations, delays and cost increases. As it relates to the Company’s energy transition investments, the Company faces additional risks including policy certainty, pace of energy transition, commodity and environmental attribute price risk and climate risk.

Risk Management Approach

The Company attempts to reduce the risks of project delays and cost increases by careful project feasibility, development and management processes, procurement practices and entering into fixed price contracts when possible.

International Natural Gas Distribution's planned capital investment is approved by the regulator. Planned capital investments for the Alberta Utilities are based on the following significant assumptions: projects identified by the AESO will proceed as currently scheduled; the remaining planned capital investments are required to maintain safe and reliable service and meet planned growth in the Alberta Utilities’ service areas; regulatory approval for capital projects can be obtained in a timely manner; and access to capital market financings can be maintained.

The Company reduces risks associated with policy certainty, pace of energy transition, commodity and environmental attribute price risk and climate-related risk by leveraging our competitive advantages and assigning clear accountability and leadership for executing and realizing capital investment. Planned capital investments for Energy Infrastructure are based on the following significant assumptions: a diversified approach to business development focused on multiple pillars (energy storage, clean fuels, renewables) and development in areas closest to economic feasibility; ensuring long-term assets are matched with appropriate customer offtake agreements with investment grade counterparties; pursuing projects in markets where fundamentals and competitive advantage enable us to be successful; and self-performing or working with Engineering, Procurement and Construction firms and partners to ensure construction activities are completed by parties with the competencies to ensure successful project delivery.

The Company believes these assumptions are reasonable.

Business Risk: Climate Change		
Businesses Impacted:	**Associated Strategies:**	
• All businesses	• Operational Excellence	• Innovation

Description & Context - Policy Risks

Canadian Utilities has operations in several jurisdictions subject to emission regulations, including carbon pricing, output-based performance standards, and other emission management policies. For example, in Alberta the output-based Technology Innovation and Emissions Reduction Regulations replaced the federal Output-Based Pricing System as of January 1, 2020.

Energy Infrastructure has pivoted its growth strategy to largely focus on energy transition assets. A lack of clarity on proposed regulations creates revenue uncertainty for these projects.

Risk Management Approach - Policy Risks

The Company's exposure is mitigated for the Regulated Utilities because GHG emission charges are generally recovered in rates. In addition, future requirements, such as upgrading equipment to further reduce methane emissions in the natural gas utilities, are expected to be included in rate base on a go-forward basis.

Energy Infrastructure is targeting investments that benefit from climate change. In addition, we are actively and constructively working with all levels of government as well as Indigenous communities to ensure ongoing communication and that the impacts and costs of proposed policy changes are identified and understood. Where appropriate, the Company is also working with its peers and industry associations to develop common positions and strategies.

Description & Context - Physical Risks

Physical risks associated with climate change may include an increase in extreme weather events such as heavy rainfall, floods, wildfires, extreme winds and ice storms, or changing weather patterns that cause ongoing impacts to seasonal temperatures. Assets across all of Canadian Utilities' businesses are exposed to extreme weather events.

Risk Management Approach - Physical Risks

The Company continues to carefully manage physical risks, including preparing for, and responding to, extreme weather events through activities such as proactive route and site selection, asset hardening, regular maintenance, and insurance. The Company follows regulated engineering codes, continues to evaluate ways to create greater system reliability and resiliency and, where appropriate, submits regulatory applications for capital expenditures aimed at creating greater system reliability and resiliency within the code.

Prevention activities include Wildfire Management Plans and vegetation management at Electricity Transmission and Distribution operations. The majority of the Company's natural gas pipeline network is in the ground, making it less susceptible to extreme weather events.

The Company maintains in-depth emergency response measures for extreme weather events. When planning for capital investment or acquiring assets, we consider site specific climate and weather factors, such as flood plain mapping and extreme weather history.

These are the material climate related risks. For more detailed information on additional climate-related risks please refer to the Sustainability, Climate Change and Energy Transition section of this MD&A.

Business Risk: Credit Risk	
Businesses Impacted:	**Associated Strategies:**
• All businesses	• Financial Strength

Description & Context

For cash and cash equivalents and accounts receivable and contract assets, credit risk represents the carrying amount on the consolidated balance sheet. Derivative and finance lease receivable credit risk arises from the possibility that a counterparty to a contract fails to perform according to the terms and conditions of that contract. The maximum exposure to credit risk is the carrying value of loans and receivables and derivative financial instruments.

Risk Management Approach

Cash and cash equivalents credit risk is reduced by investing in instruments issued by credit-worthy financial institutions and in federal government issued short-term instruments.

The Company minimizes other credit risks by dealing with credit-worthy counterparties, following established credit-approval policies, and requiring credit security, such as letters of credit.

Geographically, a significant portion of loans and receivables are from the Company's operations in Alberta, followed by operations in Australia and Mexico. The largest credit risk concentration is from the Alberta Utilities, which are able to recover an estimate for doubtful accounts through approved customer rates and to request recovery through customer rates for any material losses from the retailers beyond the retailer security mandated by provincial regulations.

Business Risk: Cybersecurity	
Businesses Impacted:	**Associated Strategies:**
• All businesses	• Operational Excellence • Innovation

Description & Context

The Company's reliance on technology, which supports its information and industrial control systems, is subject to potential cyber-attacks including unauthorized access of confidential information and outage of critical infrastructure.

Risk Management Approach

The Company has an enterprise wide cybersecurity program covering all technology assets. The cybersecurity program includes employee awareness, layered access controls, continuous monitoring, network threat detection, and coordinated incident response through a centralized Security Operations Centre. The Company's cybersecurity management is consolidated under a common, centralized organization structure to increase effectiveness and compliance across the entire enterprise.

Business Risk: Energy Commodity Price		
Businesses Impacted:		**Associated Strategies:**
• Retail Energy	• Energy Infrastructure	• Financial Strength

Description & Context

Retail Energy's earnings are affected by short-term price volatility.

Storage & Industrial Water's natural gas storage facility in Carbon, Alberta, and the Alberta Hub natural gas storage facility near Edson, Alberta are exposed to storage price differentials.

Risk Management Approach

In conducting its business, the Company may use various instruments, including forward physical contracts, financial swaps, and storage service contracts to manage the risks arising from fluctuations in commodity prices.

To manage its exposure to natural gas storage spreads the Company uses a combination of storage service contracts to lease space and to capture future storage spreads.

The Company enters into natural gas physical contracts and forward power swap contracts as the hedging instrument to manage the exposure to electricity and natural gas market price movements.

Under IFRS accounting, entering into hedging instruments may result in mark-to-market adjustments that are recorded as unrealized gains or losses on the income statement. Realized gains or losses are recognized in adjusted earnings and IFRS earnings when the commodity contracts are settled.

In addition, Retail Energy monitors forward curves in order to ensure it is not promoting product offerings that are unfavourable to the Company.

Business Risk: Financing	
Businesses Impacted:	**Associated Strategies:**
• All businesses	• Financial Strength

Description & Context

The Company’s financing risk relates to the price volatility and availability of external financing to fund the capital expenditure program and refinance existing debt maturities. Financing risk is directly influenced by market factors. As financial market conditions change, these risk factors can affect the availability of capital and also the relevant financing costs.

Risk Management Approach

To address this risk, the Company manages its capital structure to maintain strong investment grade credit ratings which allow continued ease of access to the capital markets. The Company also considers it prudent to maintain sufficient liquidity to fund approximately one full year of cash requirements to preserve strong financial flexibility. This liquidity is generated by cash flows from operations and supported by appropriate levels of cash and available committed credit facilities.

Business Risk: Foreign Currency Exchange Rate Risk	
Businesses Impacted:	**Associated Strategies:**
• All businesses	• Financial Strength

Description & Context

The Company's earnings from, and carrying values of, its foreign operations are exposed to fluctuations in exchange rates. The Company is also exposed to transactional foreign exchange risk through transactions denominated in a foreign currency.

Risk Management Approach

In conducting its business, the Company may use forward contracts to manage the risks arising from known fluctuations in exchange rates. Such instruments are used only to manage risk and not for trading purposes. This foreign exchange impact is partially offset by foreign denominated financing and by hedging activities. The Company manages this risk through its policy of matching revenues and expenses in the same currency. When matching is not possible, the Company may utilize foreign currency forward contracts to manage the risk.

Business Risk: Interest Rate	
Businesses Impacted:	**Associated Strategies:**
• All businesses	• Financial Strength

Description & Context

The interest rate risk faced by the Company is largely a result of its long-term debt at variable rates as well as cash and cash equivalents. The Company also has exposure to interest rate movements that occur beyond the term of maturity of the fixed-rate investments.

Risk Management Approach

In conducting its business, the Company may use swap agreements to manage the risks arising from fluctuations in interest rates. All such instruments are used only to manage risk and not for trading purposes. The Company has converted certain variable rate long-term debt to fixed rate debt through interest rate swap agreements. At December 31, 2021, the Company had fixed interest rates, either directly or through interest rate swap agreements, on 100 per cent (2020 - 100 per cent) of total long-term debt. Consequently, the exposure to fluctuations in future cash flows, with respect to debt, from changes in market interest rates was limited. The Company's cash and cash equivalents include fixed rate instruments with maturities of generally 90 days or less that are reinvested as they mature.

Business Risk: Pandemic Risk		
Businesses Impacted:	**Associated Strategies:**	
• All businesses	• Growth • Financial Strength	• Operational Excellence • Community

Description & Context

An outbreak of infectious disease, a pandemic or a similar public health threat, such as the COVID-19 pandemic, or a fear of any of the foregoing, could adversely impact the Company by causing operating, supply chain and project development delays and disruptions, inflation risk, labour shortages and shutdowns as a result of government regulation and prevention measures, increased strain on employees and compromised levels of customer service, any of which could have a negative impact on the Company's operations.

Any deterioration in general economic and market conditions resulting from a public health threat could negatively affect demand for electricity and natural gas, revenue, operating costs, timing and extent of capital expenditures, results of financing efforts, or credit risk and counterparty risk; any of which could have a negative impact on the Company's business.

Risk Management Approach

Canadian Utilities' investments in essential services are largely focused on regulated utilities and long-term contracted businesses with strong counterparties, creating a resilient investment portfolio. In response to the COVID-19 pandemic, Canadian Utilities' Pandemic Plan was activated in February 2020. The plan includes travel restrictions, limited access to facilities, a direction to work from home whenever possible, physical distancing measures and other protocols (including the use of personal protective equipment while at a work premise). Additionally, the Company has been following recommendations by local and national public health authorities across the globe to adjust operational requirements as needed to ensure a coordinated approach across Canadian Utilities. As a result of these efforts and the Company's experience in crisis response, Canadian Utilities has been able to minimize the impact of the current COVID-19 pandemic on the Company's businesses and the essential services it provides to customers.

Business Risk: Pipeline Integrity		
Businesses Impacted:	**Associated Strategies:**	
• Utilities	• Operational Excellence	• Community Involvement

Description & Context

Natural Gas Transmission, Natural Gas Distribution and International Gas Distribution have significant pipeline infrastructure. Although the probability of a pipeline rupture is very low, the consequences of a failure can be severe.

Risk Management Approach

Programs are in place to monitor the integrity of the pipeline infrastructure and replace pipelines or pipeline infrastructure as required to address safety, reliability, and future growth. These programs include Natural Gas Distribution and Natural Gas Transmission's Urban Pipeline Replacement and Integrity programs, and Natural Gas Distribution and International Natural Gas Distribution's Mains Replacement programs. The Company also carries property and liability insurance. The Company actively engages in damage prevention initiatives including proactive direct engagement with the building and excavation communities. The Company also promotes ground disturbance and excavation safety to homeowners and the excavation community.

Business Risk: Political		
Businesses Impacted:	**Associated Strategies:**	
• All businesses	• Growth • Financial Strength	• Operational Excellence

Description & Context

Operations are exposed to a risk of change in the business environment due to political change. Legislative or policy changes may impact the financial performance of operations. This could negatively impact earnings, return on equity and assets, and credit metrics.

Risk Management Approach

Participation in policy consultations with governments and engagement of stakeholder groups ensure ongoing communication and that the impacts and costs of proposed policy changes are identified and understood. Where appropriate, the Company works with its peers and industry associations to develop common positions and strategies. Geographic diversification of assets by region and by country reduces the impact of political and legislative changes.

Business Risk: Regulated Operations		
Businesses Impacted:	**Associated Strategies:**	
• Utilities	• Growth • Financial Strength	• Operational Excellence

Description & Context

The Regulated Utilities are subject to the risks associated with the regulator's approval of customer rates that permit a reasonable opportunity to recover service costs on a timely basis, including a fair return on rate base. They are also subject to risk of the regulator's potential disallowance of costs incurred. Electricity Distribution and Natural Gas Distribution operate under PBR. Under PBR, utility revenues are formula driven, which raises the uncertainty of cost recovery. In Australia, the ERA assesses appropriate returns, prudent levels of operating costs, capital expenditures and expected throughput on the network through an Access Arrangement proceeding.

Risk Management Approach

The Regulated Utilities file forecasts in the rate-setting process to recover the costs of providing services and earn a fair rate of return. The determination of a fair rate of return on the common equity component of rate base is determined in a generic cost of capital proceeding in Alberta and an Access Arrangement proceeding in Australia. The Regulated Utilities continuously monitor various regulatory decisions and cases to assess how they might impact the Company's regulatory applications for the recovery of costs. The Regulated Utilities are proactive in demonstrating prudence and continuously look for ways to lower operating costs while maintaining service levels.

Business Risk: Technological Transformation and Disruption		
Businesses Impacted:	**Associated Strategies:**	
• All businesses	• Growth • Financial Strength	• Operational Excellence • Innovation

Description & Context

The introduction and rapid, widespread adoption of transformative technology could lead to disruption of the Company's existing business models and introduce new competitive market dynamics. Failure to effectively identify and manage disruptive technology and/or changing consumer attitudes and preferences may result in disruptions to the business and an inability to achieve strategic and financial objectives.

Risk Management Approach

The strategic plans of each business unit incorporate transformative technology into the evolution of their business and ensure that the best available technology is deployed to support current state operational efficiency and reliability. The business seeks opportunities to minimize costs by monitoring trends occurring in other jurisdictions that may be ahead of the technological curve.

Business Risk: Liquidity	
Businesses Impacted:	**Associated Strategies:**
• All businesses	• Financial Strength

Description & Context

Liquidity risk is the risk that the Company will not be able to meet its financial obligations.

Risk Management Approach

Cash flow from operations provides a substantial portion of the Company's cash requirements. Additional cash requirements are met with the use of existing cash balances and externally through bank borrowings and the issuance of long-term debt, non-recourse long-term debt and preferred shares. Commercial paper borrowings and short-term bank loans under available credit lines are used to provide flexibility in the timing and amounts of long-term financing. At December 31, 2021, the Company's cash position was approximately $0.8 billion and there were available committed and uncommitted lines of credit of approximately $2.0 billion which can be utilized for general corporate purposes.

Liquidity risk includes contractual financial obligations which the Company will meet with cash flow from operations, existing cash balances and external financing, if necessary. These contractual financial obligations for the next five years and thereafter are shown below.

($ millions)	2022	2023	2024	2025	2026	2027 and thereafter
Financial Liabilities						
Accounts payable and accrued liabilities	739	—	—	—	—	—
Short-term debt	206	—	—	—	—	—
Long-term debt:						
Principal	331	148	448	30	429	7,969
Interest expense (1)	357	354	347	342	345	6,422
Derivatives (2)	32	9	4	1	_	_
	1,665	511	799	373	774	14,391
Commitments						
Purchase obligations:						
Operating and maintenance agreements	338	324	283	51	39	96
Capital expenditures	328	—	—	—	—	—
Other	6	—	—	—	—	—
	672	324	283	51	39	96
Total	2,337	835	1,082	424	813	14,487

(1) Interest payments on floating rate debt have been estimated using rates in effect at December 31, 2021. Interest payments on debt that has been hedged have been estimated using hedged rates.

(2) Payments on outstanding derivatives have been estimated using exchange rates and commodity prices in effect at December 31, 2021.

OTHER FINANCIAL AND NON-GAAP MEASURES

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

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

Adjusted earnings are defined as earnings attributable to equity owners of the Company after adjusting for the timing of revenues and expenses associated with rate-regulated activities, dividends on equity preferred shares of the Company, and unrealized gains or losses on mark-to-market forward and swap commodity contracts. Adjusted earnings also exclude one-time gains and losses, impairments, and items that are not in the normal course of business or a result of day-to-day operations.

Adjusted earnings present earnings from rate-regulated activities on the same basis as was used prior to adopting IFRS - that basis being the US accounting principles for rate-regulated activities. Adjusted earnings are presented in Note 3 of the 2021 Consolidated Financial statements. Adjusted earnings per Class A and Class B share is calculated by dividing adjusted earnings by the weighted average number of shares outstanding for the period.

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

Total of segments measures are most directly comparable to total earnings attributable to equity owners of the Company. Comparable total of segments measures from 2020 have been calculated using the same composition and are disclosed alongside the current total of segments measures in this MD&A. A reconciliation of the total of segments measures with total earnings attributable to equity owners of the Company is presented in this MD&A.

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

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

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

Adjusted earnings are earnings attributable to equity owners of the Company after adjusting for the timing of revenues and expenses associated with rate-regulated activities, dividends on equity preferred shares of the Company, and unrealized gains or losses on mark-to-market forward and swap commodity contracts. Adjusted earnings also exclude one-time gains and losses, impairments, and items that are not in the normal course of business or a result of day-to-day operations.

Adjusted earnings are a key measure of segment earnings that management uses to assess segment performance and allocate resources. It is management's view that adjusted earnings allow a better assessment of the economics of rate regulation in Canada and Australia than IFRS earnings. Additional information regarding this measure is provided in the Other Financial and Non-GAAP Measures section of this MD&A.

($ millions) **Three Months Ended December 31**

2021 / 2020	Utilities	Energy Infrastructure	Corporate & Other	Intersegment Eliminations	Consolidated
Revenues	**884**	**74**	**103**	**(33)**	**1,028**
	784	59	55	(17)	881
Adjusted earnings (loss)	**206**	**4**	**(18)**	**—**	**192**
	195	12	(21)	—	186
Unrealized gains (losses) on mark-to-market forward and swap commodity contracts	**—**	**—**	**7**	**—**	**7**
	—	—	(8)	—	(8)
Rate-regulated activities	**(27)**	**—**	**—**	**—**	**(27)**
	(29)	—	2	—	(27)
IT Common Matters decision	**(4)**	**—**	**—**	**—**	**(4)**
	(9)	—	—	—	(9)
Transition of managed IT services	**(8)**	**—**	**—**	**—**	**(8)**
	(52)	(1)	(2)	—	(55)
Dividends on equity preferred shares of Canadian Utilities Limited	**—**	**—**	**16**	**—**	**16**
	2	—	15	—	17
AUC enforcement proceeding	**(14)**	**—**	**—**	**—**	**(14)**
	—	—	—	—	—
Project cost recovery	**—**	**17**	**—**	**—**	**17**
	—	—	—	—	—
Other	**—**	**(3)**	**—**	**—**	**(3)**
	—	—	—	—	—
Earnings (loss) attributable to equity owners of the Company	**153**	**18**	**5**	**—**	**176**
	107	11	(14)	—	104

($ millions) **2021** 2020	Utilities	Energy Infrastructure	Corporate & Other	Intersegment Eliminations	Year Ended December 31 Consolidated
Revenues	**3,041**	**209**	**351**	**(86)**	**3,515**
	2,932	195	207	(101)	3,233
Adjusted earnings (loss)	**635**	**28**	**(77)**	**—**	**586**
	584	28	(77)	—	535
Impairment and other costs	**—**	**(64)**	**(1)**	**—**	**(65)**
	(8)	(3)	(19)	—	(30)
Unrealized losses on mark-to-market forward and swap commodity contract	**—**	**(2)**	**(16)**	**—**	**(18)**
	—	(4)	(4)	—	(8)
Rate-regulated activities	**(118)**	**—**	**—**	**—**	**(118)**
	(65)	—	6	—	(59)
IT Common Matters decision	**(14)**	**—**	**—**	**—**	**(14)**
	(19)	—	—	—	(19)
Transition of managed IT services	**(39)**	**(1)**	**(2)**	**—**	**(42)**
	(52)	(1)	(2)	—	(55)
Dividends on equity preferred shares of Canadian Utilities Limited	**2**	**—**	**63**	**—**	**65**
	5	—	62	—	67
AUC enforcement proceeding	**(14)**	**—**	**—**	**—**	**(14)**
	—	—	—	—	—
Project cost recovery	**—**	**17**	**—**	**—**	**17**
	—	—	—	—	—
Other	**—**	**(4)**	**—**	**—**	**(4)**
	—	(4)	—	—	(4)
Earnings (loss) attributable to equity owners of the Company	**452**	**(26)**	**(33)**	**—**	**393**
	445	16	(34)	—	427

IMPAIRMENT AND OTHER COSTS

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

In 2020, impairment and other costs not in the normal course of business of $30 million (after-tax) were recorded. These costs mainly related to certain assets that no longer represented strategic value to the Company. The Company's subsidiary ATCO Oil & Gas Ltd. holds a five per cent working interest in oil and gas assets in Northern Canada. With oil price volatility and the COVID-19 pandemic continuing to cause economic uncertainty, an impairment of $18 million was recorded in 2020, reflecting the reduced likelihood of future recovery of these costs. The remaining costs relate to the continued transformation and realignment of certain functions in the Company.

UNREALIZED GAINS AND LOSSES ON MARK-TO-MARKET FORWARD AND SWAP COMMODITY CONTRACTS

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

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

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

RATE-REGULATED ACTIVITIES

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

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

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

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

Timing Adjustment	Items	RRA Treatment	IFRS Treatment
Additional revenues billed in current year	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 years	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 years when the decision is received.	The Company does not recognize earnings from a regulatory decision when it is received as regulatory assets and liabilities are not recorded under IFRS.
Settlement of regulatory decisions and other items	Settlement of amounts receivable or payable to customers and other items	The Company recognizes the amount receivable or payable to customers as a reduction in its regulatory assets and liabilities when collected or refunded through future billings.	The Company recognizes earnings when customer rates are changed and amounts are recovered or refunded to customers through future billings.

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

	Three Months Ended December 31			Year Ended December 31		
($ millions)	**2021**	**2020**	**Change**	**2021**	**2020**	**Change**
Additional revenues billed in current period						
Future removal and site restoration costs (1)	**22**	20	2	**107**	78	29
Impact of colder temperatures (2)	**—**	—	—	**—**	2	(2)
Revenues to be billed in future periods						
Deferred income taxes (3)	**(32)**	(32)	—	**(105)**	(105)	—
Distribution rate relief (4)	**(24)**	—	(24)	**(119)**	—	(119)
Impact of warmer temperatures (2)	**4**	(5)	9	**(1)**	—	(1)
Impact of inflation on rate base (5)	**(17)**	(3)	(14)	**(31)**	(6)	(25)
Settlement of regulatory decisions and other items (6)	**20**	(7)	27	**31**	(28)	59
	(27)	(27)	—	**(118)**	(59)	(59)

(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 years.*

(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) *During the fourth quarter and year ended December 31, 2021, Electricity Distribution and Natural Gas Distribution recorded a decrease in earnings of $24 million and $119 million related to interim rate relief for customers as applied for by the Company and approved by the AUC to hold current distribution base rates in place. These amounts will be recovered from customers in 2022 and 2023.*

(5) *The inflation-indexed portion of International Natural Gas Distribution's rate base is billed to customers through the recovery of depreciation in subsequent years based on the actual or forecasted annual rate of inflation. Under rate-regulated accounting, revenue is recognized in the current year for the inflation component of rate base when it is earned. Differences between the amounts earned and the amounts billed to customers are deferred and recognized in revenues over the service life of the related assets.*

(6) *In 2021, Natural Gas Distribution collected $53 million related to depreciation and transmission rate riders which was partly offset by a decrease in earnings of $28 million related to payments for transmission costs. In 2020, Electric Distribution recorded a decrease in earnings of $26 million related to payments to customers for transmission costs and capital related items.*

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 2021 was $4 million and $14 million (after-tax) (2020 - $9 million and $19 million).

TRANSITION OF MANAGED IT SERVICES

In the fourth quarter of 2020 and first quarter of 2021, the Company signed MSAs with IBM Canada Ltd. (subsequently novated to Kyndryl Canada Ltd.) and IBM Australia Limited (IBM), respectively, to provide managed IT services. These services were previously provided by Wipro under a ten-year MSA expiring in December 2024. The transition of the managed IT services from Wipro to IBM commenced on February 1, 2021 and is complete.

In the fourth quarter and full year of 2021, the Company recognized termination and transition costs of $8 million and $42 million (after-tax) (2020 - $55 million and $55 million).

AUC ENFORCEMENT PROCEEDING

On November 29, 2021, the AUC enforcement branch filed an application with the AUC recommending an enforcement proceeding be initiated. This proceeding is to determine whether ATCO Electric failed to comply with AUC decisions and enactments under the AUC's jurisdiction with respect to the sole source contract for the Jasper interconnection project and the actions leading up to and including the filing of the 2018-2020 Deferral Account Application. This proceeding will also determine any future remedies that may be required.

AUC Enforcement and Electricity Transmission are pursuing settlement discussions prior to the AUC determining the next process steps. In the fourth quarter and full year of 2021, the Company recognized expenses of $14 million (after-tax) due to the potential outcome of the proceeding.

PROJECT COST RECOVERY

During the fourth quarter and full year of 2021, the Company recorded earnings of $17 million (after-tax) following the conclusion of the Company's involvement in an international project.

OTHER

The Company adjusts the deferred tax asset which was recognized as a result of the 2015 Tula Pipeline Project impairment. In the full year of 2021, the Company recorded a foreign exchange loss of $4 million (2020 - a foreign exchange loss of $4 million), due to a difference between the tax base currency, which is the Mexican peso, and the US dollar functional currency.

UTILITIES

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

($ millions)

Three Months Ended December 31

2021 / 2020	Canadian Utilities Ltd.								
	Electricity				Natural Gas				Utilities
	Electric Distribution	Electric Transmission	International Electricity	Consolidated Electricity	Natural Gas Distribution	Natural Gas Transmission	International Natural Gas	Consolidated Natural Gas	
Adjusted earnings	**37**	**35**	**16**	**88**	**72**	**20**	**26**	**118**	**206**
	38	42	6	86	79	22	8	109	195
Rate-regulated activities	**(25)**	**8**	**—**	**(17)**	**15**	**(6)**	**(19)**	**(10)**	**(27)**
	(11)	5	—	(6)	(12)	(8)	(3)	(23)	(29)
IT Common Matters decision	**(1)**	**(1)**	**—**	**(2)**	**(2)**	**—**	**—**	**(2)**	**(4)**
	(3)	(2)	—	(5)	(3)	(1)	—	(4)	(9)
Transition of managed IT services	**(1)**	**(1)**	**—**	**(2)**	**(4)**	**—**	**(2)**	**(6)**	**(8)**
	(16)	(7)	—	(23)	(25)	(4)	—	(29)	(52)
Dividends on equity preferred shares of the Company	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	1	1	—	2	—	—	—	—	2
AUC enforcement proceeding	**—**	**(14)**	**—**	**(14)**	**—**	**—**	**—**	**—**	**(14)**
	—	—	—	—	—	—	—	—	—
Other	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	—	(1)	—	(1)	—	1	—	1	—
Earnings attributable to equity owners of the Company	**10**	**27**	**16**	**53**	**81**	**14**	**5**	**100**	**153**
	9	38	6	53	39	10	5	54	107

($ millions)

Year Ended December 31

2021 / 2020	Canadian Utilities Ltd.								
	Electricity				Natural Gas				Utilities
	Electric Distribution	Electric Transmission	International Electricity	Consolidated Electricity	Natural Gas Distribution	Natural Gas Transmission	International Natural Gas	Consolidated Natural Gas	
Adjusted earnings	**151**	**152**	**44**	**347**	**142**	**81**	**65**	**288**	**635**
	132	174	12	318	146	89	31	266	584
Impairments and other costs	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	(2)	(2)	—	(4)	(4)	—	—	(4)	(8)
Rate-regulated activities	**(75)**	**20**	**—**	**(55)**	**(9)**	**(20)**	**(34)**	**(63)**	**(118)**
	(54)	8	—	(46)	10	(28)	(1)	(19)	(65)
IT Common Matters decision	**(4)**	**(4)**	**—**	**(8)**	**(5)**	**(1)**	**—**	**(6)**	**(14)**
	(6)	(5)	—	(11)	(6)	(2)	—	(8)	(19)
Transition of managed IT services	**(10)**	**(4)**	**—**	**(14)**	**(16)**	**(2)**	**(7)**	**(25)**	**(39)**
	(16)	(7)	—	(23)	(25)	(4)	—	(29)	(52)
Dividends on equity preferred shares of the Company	**—**	**1**	**—**	**1**	**—**	**1**	**—**	**1**	**2**
	—	3	—	3	—	2	—	2	5
AUC enforcement proceeding	**—**	**(14)**	**—**	**(14)**	**—**	**—**	**—**	**—**	**(14)**
	—	—	—	—	—	—	—	—	—
Other	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	—	—	—	—	(4)	—	4	—	—
Earnings attributable to equity owners of the Company	**62**	**151**	**44**	**257**	**112**	**59**	**24**	**195**	**452**
	54	171	12	237	117	57	34	208	445

ENERGY INFRASTRUCTURE

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

($ millions)			Three Months Ended December 31
2021 / 2020	Canadian Utilities Ltd.		
	Electricity Generation	Storage & Industrial Water	Energy Infrastructure
Adjusted earnings	**—**	**4**	**4**
	4	8	12
Transition of managed IT services	**—**	**—**	**—**
	—	(1)	(1)
Project cost recovery	**—**	**17**	**17**
	—	—	—
Other	**—**	**(3)**	**(3)**
	—	—	—
Earnings attributable to equity owners of the Company	**—**	**18**	**18**
	4	7	11

($ millions)			Year Ended December 31
2021 / 2020	Canadian Utilities Limited		
	Electricity Generation	Storage & Industrial Water	Energy Infrastructure
Adjusted earnings	**13**	**15**	**28**
	13	15	28
Impairments and other costs	**(64)**	**—**	**(64)**
	(1)	(2)	(3)
Unrealized losses on mark-to-market forward and swap commodity contract	**—**	**(2)**	**(2)**
	—	(4)	(4)
Transition of managed IT services	**—**	**(1)**	**(1)**
	—	(1)	(1)
Project cost recovery	**—**	**17**	**17**
	—	—	—
Other	**—**	**(4)**	**(4)**
	—	(4)	(4)
Loss (earnings) attributable to equity owners of the Company	**(51)**	**25**	**(26)**
	12	4	16

RECONCILIATION OF CAPITAL INVESTMENT TO CAPITAL EXPENDITURES

Capital investment is a non-GAAP measure defined as cash used for capital expenditures, business combinations, and cash used in the Company's proportional share of capital expenditures in joint ventures. In management's opinion, capital investment reflects the Company's total cash investment in assets. Capital expenditures includes additions to property, plant and equipment and intangibles as well as interest capitalized during construction. Additional information regarding this non-GAAP measure is provided in the Other Financial and Non-GAAP Measures section of this MD&A.

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

2021 2020	**Utilities**	**Energy Infrastructure**	**CUL Corporate & Other**	**Consolidated**
Capital Investment	**253**	**170**	**3**	**426**
	243	7	3	253
Capital Expenditure in joint ventures (1)	**(2)**	**(6)**	**—**	**(8)**
	—	(2)	—	(2)
Business Combination (2)	**—**	**(84)**	**—**	**(84)**
	—	—	—	—
Capital Expenditures	**251**	**80**	**3**	**334**
	243	5	3	251

(1) Capital expenditures in joint ventures relates mainly to the construction of a long-term contracted hydrocarbon storage cavern in the Energy Infrastructure segment.

(2) Business combination in 2021 is due to an acquisition of the Alberta Hub natural gas storage facility in the Energy Infrastructure segment.

($ millions) — **Year Ended December 31**

2021 2020	**Utilities**	**Energy Infrastructure**	**CUL Corporate & Other**	**Consolidated**
Capital Investment	**1,102**	**226**	**10**	**1,338**
	876	28	8	912
Capital Expenditure in joint ventures (1)	**(5)**	**(22)**	**—**	**(27)**
	—	(9)	—	(9)
Business Combination (2)	**—**	**(84)**	**—**	**(84)**
	—	—	—	—
Capital Expenditures	**1,097**	**120**	**10**	**1,227**
	876	19	8	903

(1) Capital expenditures in joint ventures relates mainly to the construction of a long-term contracted hydrocarbon storage cavern in the Energy Infrastructure segment.

(2) Business combination in 2021 is due to an acquisition of the Alberta Hub natural gas storage facility in the Energy Infrastructure segment.

OTHER FINANCIAL INFORMATION

OFF BALANCE SHEET ARRANGEMENTS

Canadian Utilities does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition, including, without limitation, the Company's liquidity and capital resources.

CONTINGENCIES

The Company is party to a number of disputes and lawsuits in the normal course of business. The Company believes the ultimate liability arising from these matters will have no material impact on its 2021 Consolidated Financial Statements.

SIGNIFICANT ACCOUNTING ESTIMATES

The Company's significant accounting estimates are described in Note 23 of the 2021 Consolidated Financial Statements, which are prepared in accordance with IFRS. Management makes judgments and estimates that could significantly affect how policies are applied, amounts in the consolidated financial statements are reported, and contingent assets and liabilities are disclosed. Most often these judgments and estimates concern matters that are inherently complex and uncertain. Judgments and estimates are reviewed on an ongoing basis; changes to accounting estimates are recognized prospectively.

ACCOUNTING CHANGES

At December 31, 2021, there are no new or amended standards issued, or interpretations that need to be adopted in future periods, which will have a material effect on the 2022 Consolidated Financial Statements once adopted.

DISCLOSURE CONTROLS AND PROCEDURES

As of December 31, 2021, management evaluated the effectiveness of the Company's disclosure controls and procedures as required by the Canadian Securities Administrators. This evaluation was performed under the supervision of, and with the participation of, the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO).

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in documents filed with securities regulatory authorities is recorded, processed, summarized and reported on a timely basis. The controls also seek to assure this information is accumulated and communicated to management, including the CEO and the CFO, as appropriate, to allow timely decisions on required disclosure.

Management, including the CEO and the CFO, does not expect the Company's disclosure controls and procedures will prevent or detect all errors. The inherent limitations in all control systems are that they can provide only reasonable, not absolute, assurance that all control issues and instances of error, if any, within the Company have been detected.

Based on this evaluation, the CEO and the CFO have concluded that the Company's disclosure controls and procedures were effective at December 31, 2021.

INTERNAL CONTROL OVER FINANCIAL REPORTING

There was no change in the Company's internal control over financial reporting that occurred during the period beginning on January 1, 2021, and ended on December 31, 2021, that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, internal control over financial reporting can provide only reasonable assurance regarding the reliability of financial statement preparation and may not prevent or detect all misstatements.

As of December 31, 2021, management evaluated the effectiveness of the Company's internal control over financial reporting as required by the Canadian Securities Administrators. This evaluation was performed under the supervision of, and with the participation of, the CEO and the CFO.

Based on this evaluation, the CEO and the CFO have concluded that the Company's internal control over financial reporting was effective at December 31, 2021.

FORWARD-LOOKING INFORMATION

Certain statements contained in this MD&A constitute forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as "anticipate", "plan", "estimate", "expect", "may", "will", "intend", "should", "goals", "targets", "strategy", "future", and similar expressions. In particular, forward-looking information in this MD&A includes, but is not limited to, references to general strategic plans and targets, including with respect to reducing GHG emissions; projected expenses in connection with the described Alberta Utilities Commission proceedings; forecast cost recoveries; expected capital investment; and mid-year rate base growth forecasts.

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

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

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

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

ADDITIONAL INFORMATION

Canadian Utilities has published its 2021 Consolidated Financial Statements and MD&A for the year ended December 31, 2021. Copies of these documents may be obtained upon request from Investor Relations at 3rd Floor, West Building, 5302 Forand Street S.W., Calgary, Alberta, T3E 8B4, telephone 403-292-7500, fax 403-292-7532 or email investorrelations@atco.com.

GLOSSARY

AESO means Alberta Electric System Operator.

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

AUC means the Alberta Utilities Commission.

Average weekly earnings (AWE) is an indicator of short-term employee earnings growth.

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

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

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

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

Consumer price index (CPI) measures the average change in prices over time that consumers pay for a basket of goods and services.

Customer Contributions are non-refundable cash contributions made by customers for certain additions to property, plant and equipment, mainly in the Utilities. These contributions are made when the estimated revenue is less than the cost of providing service.

Earnings means Adjusted Earnings as defined in the Other Financial and Non-GAAP Measures section of this MD&A.

GAAP means Canadian generally accepted accounting principles.

GHG means greenhouse gas.

IFRS means International Financial Reporting Standards.

I-X means the Inflation adjuster (I Factor) and Productivity Adjuster (X Factor).

K Bar means the AUC allowance for capital additions under performance based regulation.

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

PBR means Performance Based Regulation.

RNG means renewable natural gas. It is a renewable fuel produced by capturing methane emissions which would otherwise be released to the atmosphere.

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

APPENDIX 1
FOURTH QUARTER FINANCIAL INFORMATION

Financial information for the three months ended December 31, 2021 and 2020 is shown below.

CONSOLIDATED STATEMENT OF EARNINGS

	Three Months Ended December 31	
(millions of Canadian Dollars except per share data)	**2021**	**2020**
Revenues	**1,028**	881
Costs and expenses		
Salaries, wages and benefits	**(96)**	(82)
Energy transmission and transportation	**(68)**	(57)
Plant and equipment maintenance	**(67)**	(44)
Fuel costs	**(46)**	(22)
Purchased power	**(78)**	(55)
Depreciation and amortization	**(138)**	(158)
Franchise fees	**(76)**	(64)
Property and other taxes	**(18)**	(16)
Other	**(104)**	(159)
	(691)	(657)
Earnings from investment in joint ventures	**22**	12
Operating profit	**359**	236
Interest income	**3**	4
Interest expense	**(115)**	(102)
Net finance costs	**(112)**	(98)
Earnings before income taxes	**247**	138
Income taxes	**(69)**	(32)
Earnings for the period	**178**	106
Earnings attributable to:		
Equity Owners of the Company	**176**	104
Non-controlling interests	**2**	2
	178	106
Earnings per Class A and Class B share	**$0.59**	$0.32
Diluted Earnings per Class A and Class B share	**$0.59**	$0.32

CONSOLIDATED STATEMENT OF CASH FLOWS

	Three Months Ended December 31	
(millions of Canadian Dollars)	**2021**	**2020**
Operating activities		
Earnings for the period	**178**	106
Adjustments to reconcile earnings to cash flows from operating activities	**335**	372
Changes in non-cash working capital	**(3)**	(58)
Cash flows from operating activities	**510**	420
Investing activities		
Additions to property, plant and equipment	**(310)**	(213)
Additions to intangibles	**(27)**	(35)
Acquisition net of cash acquired	**(84)**	—
Investment in joint ventures	**(6)**	—
Changes in non-cash working capital	**—**	(3)
Other	**99**	5
Cash flows used in investing activities	**(328)**	(246)
Financing activities		
Issue of short-term debt	**206**	—
Issue of long-term debt	**1**	2
Repayment of long-term debt	**(163)**	(104)
Repayment of lease liabilities	**(2)**	(3)
Net purchase of Class A shares	**2**	(12)
Issue of equity preferred shares	**201**	—
Dividends paid on equity preferred shares	**(16)**	(17)
Dividends paid to non-controlling interests	**(2)**	(2)
Dividends paid to Class A and Class B share owners	**(119)**	(120)
Interest paid	**(112)**	(117)
Other	**(3)**	(2)
Cash flows used in financing activities	**(7)**	(375)
Increase (decrease) in cash position	**175**	(201)
Foreign currency translation	**(4)**	(1)
Beginning of period	**579**	980
End of period	**750**	778