CU INC.

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2024

This Management's Discussion and Analysis (MD&A) is meant to help readers understand key operational and financial events that influenced the results of CU Inc. (our, we, us, or the Company) during the three months ended March 31, 2024.

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

The Company is controlled by Canadian Utilities Limited (Canadian Utilities or CU), which in turn is controlled by ATCO Ltd. (ATCO) and its controlling share owner, Sentgraf Enterprises Ltd. and its controlling share owner, the Southern family.

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

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UTILITIES PERFORMANCE

REVENUES

Revenues of $880 million in the first quarter of 2024 were $3 million higher compared to the same period in 2023. Revenues were positively impacted by growth in the Alberta regulated rate base and an increase in return on equity (ROE) following the 2023 Alberta Utilities Commission (AUC) decision which set the 2024 ROE at 9.28 per cent, partially offset by lower flow-through revenue in Electricity Distribution.

ADJUSTED EARNINGS

	Three Months Ended March 31		
($ millions)	**2024**	**2023**	**Change**
Electricity			
Electricity Distribution [(1)]	**42**	38	4
Electricity Transmission [(1)]	**46**	44	2
Total Electricity [(1)]	**88**	82	6
Natural Gas			
Natural Gas Distribution [(1)]	**99**	88	11
Natural Gas Transmission [(1)]	**22**	25	(3)
Total Natural Gas [(1)]	**121**	113	8
Corporate & Other and Intersegment Eliminations [(1)]	**(4)**	(1)	(3)
Total Utilities [(2)]	**205**	194	11

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

(2) Total of segments measure (as defined in NI 52-112). The most directly comparable measure reported in accordance with IFRS is Earnings for the Period. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings for the Period" in this MD&A.

Utilities adjusted earnings of $205 million in the first quarter of 2024 were $11 million higher than the same period in 2023 mainly due to growth in rate base and an increase in ROE. Higher earnings were partially offset by Natural Gas Transmission's 2024-2025 General Rate Application which included cost efficiencies implemented in prior periods that are being passed on to customers.

Detailed information about the activities and financial results of the 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 $42 million in the first quarter of 2024 were $4 million higher than the same period in 2023 mainly due to growth in rate base and an increase in return on equity.

Electricity Transmission

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

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

Natural Gas Distribution

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

Natural Gas Distribution adjusted earnings of $99 million in the first quarter of 2024 were $11 million higher than the same period in 2023 mainly due to growth in rate base and an increase in return on equity.

Natural Gas Transmission

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

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

CORPORATE & OTHER AND INTERSEGMENT ELIMINATIONS

Including intersegment eliminations, Corporate & Other adjusted earnings in the first quarter of 2024 were $3 million lower than the same period in 2023 mainly due to the timing of certain expenses.

REGULATORY DEVELOPMENTS

NATURAL GAS TRANSMISSION

2024-2026 General Rate Application (GRA)

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

SUSTAINABILITY, CLIMATE CHANGE AND ENERGY TRANSITION

Within the ATCO group of companies (including CU Inc.), we balance the short- and long-term economic, environmental and social considerations of our businesses while creating value for our customers, employees, share owner, and Indigenous and community partners. As a provider of essential services in diverse communities, 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 CU Inc.'s ultimate parent company, ATCO.

SUSTAINABILITY REPORTING AND ESG TARGETS

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

- Energy Transition and Environment - energy transition and climate change, greenhouse gas (GHG) emissions, and land use and biodiversity;
- Resilience and Safety - system reliability and availability, emergency preparedness and response, employee safety and well-being, public health and safety, and cybersecurity;

- People and Partners - Indigenous relations, economic opportunities and reconciliation, community engagement and investment, customer experience and satisfaction, human capital development, retention, and attraction, and diversity, equity and inclusion; and
- Governance and Responsible Business – corporate governance, business ethics, government relations and political advocacy, and responsible supply chain.

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

The Sustainability Report is based upon the internationally recognized Global Reporting Initiative Standards, the Sustainability Accounting Standards Board, the Financial Stability Board's Task Force on Climate-related Financial Disclosures' (TCFD) recommendations, and the new IFRS International Sustainability Standards Board (ISSB) Standards.

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

PEOPLE & PARTNERS

Indigenous Relations, Economic Opportunities & Reconciliation

New Northland Utilities Enterprises Ltd. (NUE) Brand Name

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

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

POLICY/REGULATORY UPDATE

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

Modernizing Alberta's Power Grid

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

Alberta Electricity Market Regulations

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

Alberta Restructured Energy Market Recommendation

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

Utilities Affordability Statutes Amendment Act, 2024

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

OTHER EXPENSES AND INCOME

A financial summary of other consolidated expenses and income items for the first quarter of 2024 and 2023 is given below. These amounts are presented in accordance with IFRS accounting standards. They have not been adjusted for the timing of revenues and expenses associated with rate-regulated activities and other items that are not in the normal course of business.

	Three Months Ended March 31		
($ millions)	**2024**	**2023**	**Change**
Operating costs	**378**	376	2
Depreciation and amortization	**145**	141	4
Net finance costs	**97**	88	9
Income tax expense	**60**	63	(3)

OPERATING COSTS

Operating costs, which are total costs and expenses less depreciation and amortization, increased by $2 million in the first quarter of 2024 compared to the same period in 2023. Higher operating costs were mainly due to higher flow-through expense in Natural Gas Distribution for third party transmission fees, and increased electricity rates at ATCO Yukon Electric, partially offset by lower franchise fees at Natural Gas Distribution.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization increased by $4 million in the first quarter of 2024 compared to the same period in 2023 mainly due to to ongoing capital investment.

NET FINANCE COSTS

Net finance costs increased by $9 million in the first quarter of 2024 compared to the same period in 2023 mainly due to higher interest expense on additional debt issued to fund the ongoing capital investment.

INCOME TAX EXPENSE

Income taxes were lower by $3 million in the first quarter of 2024 compared to the same period in 2023 mainly due to lower IFRS earnings before income taxes.

LIQUIDITY AND CAPITAL RESOURCES

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, debt and capital markets, and injections of equity from Canadian Utilities Limited. Liquidity is generated by cash flow from operations and is supported by appropriate levels of cash and available committed credit facilities.

CREDIT RATINGS

The following table shows the credit ratings assigned to CU Inc. at March 31, 2024.

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

On February 23, 2024, Fitch Ratings affirmed its 'A-' issuer rating with a stable outlook for CU Inc.

LINES OF CREDIT

At March 31, 2024, CU Inc. and its subsidiaries had the following lines of credit.

($ millions)	Total	Used	Available
Long-term committed	**900**	—	900
Uncommitted	**100**	43	57
Total	**1,000**	43	957

Of the $1,000 million in total lines of credit, $100 million was in the form of uncommitted credit facilities with no set maturity date. The other $900 million in credit lines was committed, with maturities between 2025 and 2026, and may be extended at the option of the lenders. The majority of the credit lines are provided by Canadian banks.

CONSOLIDATED CASH FLOW

At March 31, 2024, the Company's cash position was $(89) million. This represents a decrease of $327 million compared to the same period in 2023 and a $18 million decrease from December 31, 2023. Major movements are outlined in the following table:

	Three Months Ended March 31		
($ millions)	**2024**	**2023**	**Change**
Cash position, beginning of period	**(71)**	(12)	(59)
Cash from (used in):			
Operating activities	**499**	569	(70)
Investing activities	**(291)**	(230)	(61)
Financing activities	**(226)**	(89)	(137)
Cash position, end of the period	**(89)**	238	(327)

Operating Activities

Cash flows from operating activities of $499 million in the first quarter of 2024 were $70 million lower than the same period in 2023. This decrease was mainly due to lower customer contributions and the timing of payables.

Investing Activities

Cash flows used in investing activities of $291 million in the first quarter of 2024 were $61 million higher than the same period in 2023 mainly due to increased capital expenditures related to ongoing system upgrades and growth projects for new customers.

Cash Used for Capital Expenditures

Capital expenditures for the first quarter of 2024 and 2023 is shown in the table below.

	Three Months Ended March 31		
($ millions)	**2024**	**2023**	**Change**
Electricity Distribution	**99**	67	32
Electricity Transmission	**51**	78	(27)
Natural Gas Distribution	**96**	65	31
Natural Gas Transmission	**35**	31	4
Total (1) (2)	**281**	241	40

(1) Includes additions to property, plant and equipment, intangibles, and $3 million (2023 - $4 million) of capitalized interest during construction for the first quarter of 2024.

(2) Includes $22 million for the first quarter of 2024 (2023 - $51 million) of capital expenditures that were funded with the assistance of customer contributions and government grants.

Cash used for capital expenditures was $281 million in the first quarter of 2024, $40 million higher compared to the same period in 2023 mainly due to ongoing capital spending, partially offset by fewer capital maintenance projects at Electricity Transmission.

Financing Activities

Cash flows used in financing activities were $226 million in the first quarter of 2024, $137 million higher than the same period in 2023 mainly due to higher repayments of long-term debt and an increase in dividends paid to the Class A and Class B share owner.

Debenture Repayments

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

SHARE CAPITAL

CU Inc. equity securities consist of Class A shares and Class B shares.

At April 30, 2024, the Company had outstanding 3,570,322 Class A shares and 2,188,262 Class B shares.

QUARTERLY INFORMATION

The following table shows financial information for the eight quarters ended June 30, 2022 through March 31, 2024.

($ millions)	**Q2 2023**	**Q3 2023**	**Q4 2023**	**Q1 2024**
Revenues	670	601	783	**880**
Earnings for the period	77	36	105	**200**
Adjusted earnings (loss) [(1)]				
Electricity [(2)]	64	83	83	**88**
Natural Gas [(2)]	23	(9)	84	**121**
Corporate & Other and Intersegment Eliminations [(2)]	—	—	—	**(4)**
Total adjusted earnings [(1)]	87	74	167	**205**

($ millions)	**Q2 2022**	**Q3 2022**	**Q4 2022**	**Q1 2023**
Revenues	738	659	837	877
Earnings for the period	153	93	136	209
Adjusted earnings (loss) [(1)]				
Electricity [(2)]	85	81	70	82
Natural Gas [(2)]	35	6	83	113
Corporate & Other and Intersegment Eliminations [(2)]	—	(1)	(2)	(1)
Total adjusted earnings [(1)]	120	86	151	194

(1) Total of segments measures (as defined in NI 52-112). See "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings for the Period" in this MD&A.

(2) Non-GAAP financial measures (as defined in NI 52-112). See "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings for the Period" in this MD&A.

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

ADJUSTED EARNINGS

Adjusted earnings in the first, second and third quarters of 2023 were lower than the same periods in 2022 mainly due to cost efficiencies generated by Electricity Distribution and Natural Gas Distribution over the second generation Performance Based Regulation term now being passed onto customers under the 2023 Cost of Service rebasing framework. Lower earnings were partially offset by growth in rate base, and new cost efficiencies realized in 2023 in Electricity Distribution and Natural Gas Distribution.

Adjusted earnings in the fourth quarter of 2023 were higher than the same period in 2022 mainly due to growth in rate base and new cost efficiencies realized in 2023 in Electricity Distribution and Natural Gas Distribution.

Adjusted earnings in the first quarter of 2024 were higher than the same period in 2023 mainly due to growth in rate base and an increase in ROE. Higher earnings were partially offset by Natural Gas Transmission's 2024-2025 General Rate Application which included cost efficiencies implemented in prior periods that are being passed on to customers.

EARNINGS FOR THE PERIOD

Earnings for the period include timing adjustments related to rate-regulated activities. They also include one-time gains and losses, impairments, dividends on equity preferred shares, 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 first quarter of 2023, the Company recognized legal and other costs of $2 million (after-tax) related to the early termination of the Wipro Master Services Agreement (MSA) for managed IT services. This matter was concluded on February 26, 2023.

- In the second quarter of 2023, the Company recognized an impairment of $8 million (after-tax) relating to certain electricity generation assets in Electricity Transmission. These assets had been removed from service as it was determined that they no longer had any remaining value.
- In the fourth quarter of 2023, the Company recognized an impairment of $34 million (after-tax) of certain computer software assets which are not expected to be used in the Company.

OTHER FINANCIAL AND NON-GAAP MEASURES

This MD&A should be read with the Company's unaudited interim consolidated financial statements for the three months ended March 31, 2024. The unaudited interim consolidated financial statements are prepared according to International Accounting Standard (IAS) 34 Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IFRS Accounting Standards).

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

Total of Segments Measures

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

Consolidated adjusted earnings and adjusted earnings for Utilities are total of segments measures, as defined in NI 52-112.

Non-GAAP Financial Measures

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

Adjusted earnings for each of Electricity Distribution, Electricity Transmission, Total Electricity, Natural Gas Distribution, Natural Gas Transmission, and Total Natural Gas are non-GAAP financial measures, as defined in NI 52-112.

Adjusted earnings are defined as earnings for the period after adjusting for the timing of revenues and expenses associated with rate-regulated activities and dividends on equity preferred shares of the Company. 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 Accounting Standards - that basis being the US accounting principles for rate-regulated activities. Management’s view is that adjusted earnings allow for a more effective analysis of operating performance and trends. A reconciliation of adjusted earnings to earnings for the period is presented in this MD&A. Adjusted earnings are presented in Note 3 of the unaudited interim consolidated financial statements.

Adjusted earnings are most directly comparable to earnings for the period 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. 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 for the period of the Company is presented in this MD&A.

Total of segments measures are most directly comparable to total earnings for the period. Comparable total of segments measures for the same period in 2023 have been calculated using the same composition and are disclosed alongside the current total of segments measures in this MD&A. A reconciliation of the total of segments measures with total earnings for the period is presented in this MD&A.

RECONCILIATION OF ADJUSTED EARNINGS TO EARNINGS FOR THE PERIOD

Adjusted earnings are earnings for the period after adjusting for the timing of revenues and expenses associated with rate-regulated activities and dividends on equity preferred shares of the Company. Adjusted earnings also excludes 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 than IFRS earnings. Additional information regarding this measure is provided in the "Other Financial and Non-GAAP Measures" section of this MD&A.

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

2024 / 2023	Electricity	Natural Gas	Corporate & Other	Intersegment Eliminations	Consolidated
Revenues	**359**	**524**	**—**	**(3)**	**880**
	369	509	—	(1)	877
Adjusted earnings (loss)	**88**	**121**	**(4)**	**—**	**205**
	82	113	(1)	—	194
Rate-regulated activities	**(18)**	**17**	**—**	**—**	**(1)**
	4	16	—	—	20
IT Common Matters decision	**(3)**	**(3)**	**—**	**—**	**(6)**
	(3)	(2)	—	—	(5)
Transition of managed IT services	**—**	**—**	**—**	**—**	**—**
	(1)	(1)	—	—	(2)
Dividends on equity preferred shares of the Company	**1**	**1**	**—**	**—**	**2**
	1	1	—	—	2
Earnings (loss) for the period	**68**	**136**	**(4)**	**—**	**200**
	83	127	(1)	—	209

RATE-REGULATED ACTIVITIES

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

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

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

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

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

The significant timing adjustments as a result of the differences between rate-regulated accounting and IFRS Accounting Standards are as follows:

	Three Months Ended March 31		
($ millions)	**2024**	**2023**	**Change**
Additional revenues billed in current period			
Future removal and site restoration costs [(1)]	**31**	30	1
Impact of colder temperatures [(2)]	**5**	2	3
Revenues to be billed in future periods			
Deferred income taxes [(3)]	**(33)**	(34)	1
Settlement of regulatory decisions and other items			
Distribution rate relief [(4)]	**—**	5	(5)
Other [(5)]	**(4)**	17	(21)
	(1)	20	(21)

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

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

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

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

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

IT COMMON MATTERS DECISION

Consistent with the treatment of the gain on sale in 2014 from the IT services business by CU Inc.'s parent, Canadian Utilities, financial impacts associated with the IT Common Matters decision are excluded from adjusted earnings. The amount excluded from adjusted earnings in the first quarter of 2024 was $6 million (after-tax) (2023 - $5 million (after-tax)).

TRANSITION OF MANAGED IT SERVICES

In the first quarter of 2023, the Company recognized additional legal and other costs of $2 million (after-tax) related to the Wipro MSA matter that was concluded on February 26, 2023.

The following table reconciles adjusted earnings for Utilities to the directly comparable financial measure, earnings for the period.

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

2024 / 2023	CU Inc.						
	Electricity			Natural Gas			Consolidated
	Electricity Distribution	Electricity Transmission	Consolidated Electricity	Natural Gas Distribution	Natural Gas Transmission	Consolidated Natural Gas	
Adjusted earnings	**42**	**46**	**88**	**99**	**22**	**121**	**209**
	38	44	82	88	25	113	195
Rate-regulated activities	**(13)**	**(5)**	**(18)**	**16**	**1**	**17**	**(1)**
	10	(6)	4	18	(2)	16	20
IT Common Matters decision	**(2)**	**(1)**	**(3)**	**(2)**	**(1)**	**(3)**	**(6)**
	(2)	(1)	(3)	(2)	—	(2)	(5)
Transition of managed IT services	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	(1)	—	(1)	(1)	—	(1)	(2)
Dividends on equity preferred shares of the Company	**—**	**1**	**1**	**1**	**—**	**1**	**2**
	—	1	1	1	—	1	2
Earnings for the period	**27**	**41**	**68**	**114**	**22**	**136**	**204**
	45	38	83	104	23	127	210

OTHER FINANCIAL INFORMATION

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

ADOPTION OF AMENDED ACCOUNTING STANDARDS

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

FORWARD-LOOKING INFORMATION

Certain statements contained in this MD&A constitute forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as "anticipate", "plan", "estimate", "expect", "may", "will", "intend", "should", "goals", "targets", "strategy", "future", and similar expressions. In particular, forward-looking information in this MD&A includes, but is not limited to, references to: strategic plans and targets, including ESG targets and the aspiration to achieve net zero GHG emissions by 2050; expected emissions reductions, and decarbonization to enable customers to transition to lower emitting sources of energy while maintaining safety, reliability and affordability; the expected timing of commencement, completion or commercial operations of activities, contracts and projects; the expected term of contracts; the impact or benefits of contracts, including economic and other benefits for the Company and its partners and counterparties; expected inflation; expected growth and diversification and expansion opportunities; the expected timing and impact of regulatory decisions and new regulatory announcements; and the Company’s liquidity, capital resources and contractual financial obligations and other commitments.

Although the Company believes that the expectations reflected in the forward-looking information are reasonable based on the information available on the date such statements are made and processes used to prepare the information, such statements are not guarantees of future performance and no assurance can be given that these expectations will prove to be correct. Forward-looking information should not be unduly relied upon. By their nature, these statements involve a variety of assumptions, known and unknown risks and uncertainties, and other factors, which may cause actual results, levels of activity, and achievements to differ materially from those anticipated in such forward-looking information. The forward-looking information reflects the Company's beliefs and assumptions with respect to, among other things, the Company's ability to meet its initial set of 2030 ESG targets and successfully achieve its net-zero GHG target by 2050; the development and performance of technology and technological innovations and the ability to otherwise access and implement all technology necessary to achieve GHG and other ESG targets; continuing collaboration with certain business partners and engagement with new business partners, and regulatory and environmental groups; the performance of assets and equipment; demand levels for oil, natural gas, gasoline, diesel and other energy sources; certain levels of future energy use; future production rates; future revenue and earnings; the ability to meet current project schedules, and other assumptions inherent in management's expectations in respect of the forward-looking information identified herein.

The Company's actual results could differ materially from those anticipated in this forward-looking information as a result of, among other things, risks inherent in the performance of assets; capital efficiencies and cost savings; applicable laws, regulations and government policies; regulatory decisions; competitive factors in the industries in which the Company operates; prevailing market and economic conditions; credit risk; interest rate fluctuations; the availability and cost of labour, materials, services, 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; potential termination or breach of contract by contract counterparties; the occurrence of unexpected events such as fires, severe weather conditions, explosions, blow-outs, equipment failures, transportation incidents, and other accidents or similar events; global pandemics; geopolitical tensions and wars; and other risk factors, many of which are beyond the control of the Company. Due to the interdependencies and correlation of these factors, the impact of any one material assumption or risk on a forward-looking statement cannot be determined with certainty. Readers are cautioned that the foregoing lists are not exhaustive. For additional information about the principal risks that the Company faces, see “Business Risks and Risk Management” in the Company's Management's Discussion and Analysis for the year ended December 31, 2023.

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

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

ADDITIONAL INFORMATION

Additional information relating to the Company, including the Company's audited consolidated financial statements for the year ended December 31, 2023, unaudited interim consolidated financial statements for the three months ended March 31, 2024, and most recent Annual Information Form dated March 27, 2024, can be found on SEDAR+ at www.sedarplus.ca.

Copies of these documents may also be obtained upon request from Investor Relations at 3rd Floor, West Building, 5302 Forand Street S.W., Calgary, Alberta, T3E 8B4, telephone 403-292-7500, or email investorrelations@atco.com. Corporate information is also available on the Company's website at www.canadianutilities.com.

GLOSSARY

AUC means the Alberta Utilities Commission.

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

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

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

Company means CU Inc. and, unless the context otherwise requires, includes its subsidiaries.

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

ESG means Environmental, Social and Governance.

GAAP means Canadian generally accepted accounting principles.

GHG means greenhouse gas.

IFRS means International Financial Reporting Standards.

PBR means Performance Based Regulation.

ROE means return on equity.