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Third Quarter 2024 Results
Conference Call and Webcast Transcript

Date: **Thursday, November 14th, 2024**

Time: **9:00 AM MT**

Speakers:

Colin Jackson, Senior Vice President, Financial Operations

Katie Patrick, Executive Vice President and Chief Financial Officer

Wayne Stensby, Chief Operating Officer, ATCO Energy Systems

Bob Myles, Chief Operating Officer, ATCO EnPower

Conference Call Participants:

Rob Hope Scotiabank – Managing Director – Equity Research

Maurice Choy RBC Capital Markets – Energy Infrastructure Research Analyst

Mark Jarvi CIBC Capital Markets – Equity Research Analyst

Patrick Kenny National Bank Financial – Managing Director, Energy Infrastructure Research Analyst

Operator:

Welcome to the Third Quarter 2024 Results Conference Call and Webcast for Canadian Utilities Limited.

As a reminder, all participants are in a listen-only mode, and the conference is being recorded.

After the presentation, there will be an opportunity to ask questions. To join the question queue, you may press star, and then one, on your telephone keypad. Should you need assistance during the conference call, you may signal an Operator by pressing star, and then zero.

I would now like to turn the conference over to Mr. Colin Jackson, Senior Vice President, Financial Operations. Please go ahead, Mr. Jackson.

Colin Jackson:

Thank you, and good morning, everyone. We are pleased you could join us for the Canadian Utilities Third Quarter 2024 Conference Call.

On the line today, we have Katie Patrick, Executive Vice President & Chief Financial Officer of Canadian Utilities, Wayne Stensby, Chief Operating Officer of ATCO Energy Systems, and Bob Myles, Chief Operating Officer at ATCO EnPower.

Before we move into today's remarks, we'd like to take a moment to acknowledge the numerous traditional territories and homelands on which our global facilities are located. Today, I am speaking to you from our ATCO Park head office in Calgary, which is located in the Treaty 7 region. This is the ancestral territory of the Blackfoot Confederacy, comprised of the Siksika, the Kainai, the Piikani Nations, the Tsuut'ina Nation, and the Stoney Nakoda Nations, which includes the Chiniki, Bearspaw and Goodstoney First Nations. I also want to recognize that the City of Calgary is home to the Metis Nation of Alberta, Districts 5 and 6.

During the quarter, employees across Canada participated in the National Day for Truth and Reconciliation, by walking together to honour Indigenous communities and their experiences, and we continue to reflect, learn and respect the diverse history, languages, ceremonies and cultures of Indigenous peoples, as we move towards understanding, healing and reconciliation.

Today, we'll hear from Katie, who will deliver opening comments on our financial results, recent Company developments and an update on our Australian businesses, followed by an update from Wayne and Bob on their respective business segments. Following today's remarks, the Canadian Utilities team will take questions from the investment community.

Please note that a replay of the conference call, a copy of the presentation and today's transcript will be available on our website at canadianutilities.com. The materials can be found in the Investor section, under Events and Presentations.

Today's remarks will include forward-looking statements, that are subject to important risks and uncertainties. For more information on these risks and uncertainties, please refer to our filings with the Canadian securities regulators.

During today's presentation, we may refer to certain non-GAAP and other financial measures, including adjusted earnings, adjusted earnings per share, and capital investment. I'd also note that we provide adjusted earnings before interest, taxes, depreciation and amortization, or Adjusted EBITDA for ATCO EnPower. These measures do not have any standardized meaning under IFRS and, as a result, they may not be comparable to similar measures presented by other entities. Please refer to our filings with the Canadian securities regulators for further information.

Now, I'll turn the call over to Katie for her opening remarks.

Katie Patrick:

Thanks, Colin, and good morning, everyone. Thank you all very much for joining us today.

This quarter's results highlight growth in our base business and our continued focus on operational execution. Canadian Utilities delivered another strong quarter, with adjusted earnings of $102 million in the third quarter of 2024, up from $87 million in the same period last year. This translates to adjusted earnings per share of $0.38.

ATCO Energy Systems delivered adjusted earnings of $94 million, an increase of 9.3 per cent, compared to Q3 last year. Results are reflective of rate-based growth, a higher allowed ROE, and the benefit of the earnings carryover mechanism, which Wayne will dive into during the Energy Systems results later on this call.

ATCO EnPower delivered adjusted earnings of $14 million in the quarter, up $5 million from the same period last year. Specific to the energy storage side, adjusted earnings increased $6 million year-over-year to $13 million for the quarter. The business continues to perform well, due to strong seasonal spreads and high demand for natural gas and liquid storage. Bob will provide additional commentary on the EnPower results later on today's call.

In the third quarter of 2024, Canadian Utilities sold its 100 per cent investment in ATCO Energy to its parent company, ATCO, for $85 million. The purchase price represents the estimated fair market value of ATCO Energy, which was supported by independent fairness opinions. As a result of this transaction, ATCO Energy will no longer be reported under the Corporate and Other segment for Canadian Utilities as of August 1, 2024.

ATCO Australia delivered adjusted earnings of $15 million in the third quarter of this year. This fell by $3 million, compared to the same period in 2023. The slight decrease was mainly due to the impact of inflation indexing on the rate base in ATCO Gas Australia. In 2023, Australian inflation indexing reflected a full year inflation assumption of 4 per cent to 5 per cent. It is expected that inflation for 2024 will be closer to 3 per cent.

As a leading gas distributor in Western Australia, we deliver gas to over 800,000 households and businesses through a regulated gas network. Last week, we received the final decision for the Sixth Access Arrangement, known as AA6, from the Economic Regulation Authority, or ERA.

As a reminder, the AA6 plan sets out a regulated rate of return, and is based on a detailed review of our demand forecasts and expenditure plans for the period January 2025 through December 2029. As we mentioned in the press release, we do want to commend the ERA and our team in Australia for what we feel was a constructive and collaborative process to get to this result.

The ERA decision set out an ROE of 8.23 per cent for the AA6 period, up from 5.02 per cent under the previous access arrangement, AA5. The ERA's decision reflects the findings of our own research that shows that natural gas continues to be an important and valued source of energy for Western Australians, with 84,000 new customer connections expected to connect to the network over the next five years.

Finally, we continue to make progress on the South Australian Hydrogen Jobs Plan, we previously announced. ATCO Australia is actively engaged in discussions with the South Australian government on the Genuine Offer bid for engineering, procurement, construction, and operation and maintenance contracts associated with the 200-megawatt, hydrogen-fueled power plant. The hydrogen plant is a component of the South Australian Hydrogen Jobs Plan project. A final decision on the bid is expected in the fourth quarter of this year. We are very excited about this opportunity, which would allow us to be part of the first-of-its-kind commercial operations of a hydrogen-fueled power plant.

Looking at Canadian Utilities as whole, cash flow from operations was $419 million in the quarter, up 9 million from the prior year. This supported our operations, capital program and normal course financial commitments. Currently, our portfolio of operating assets generates enough cash flow to fund our development pipeline, and we do not anticipate the need for additional equity financing in the near term. More specifically, we have closely examined our strategy and financing plan for ATCO EnPower and appropriately scaled our growth in this business to be self-funding over the medium term.

With an overall macro backdrop for Alberta that continues to be robust, we see a number of positive trends that we expect will underpin long-term growth for both our ATCO Energy Systems and ATCO EnPower businesses.

In Alberta, we continue to see significant population and related housing growth, along with increased industrial investment. With this continued growth and economic expansion, a reliable and resilient energy system is critical for Alberta. To achieve this, more investment is required in both our electric and natural gas networks, and Wayne will discuss later in the call the projects his team are working on to build these solutions.

Similarly, we expect ATCO EnPower to play a role in enabling Alberta's energy transition ambitions. With significant industrial investment occurring, we are strategically positioned with the assets and capabilities to drive the decarbonization of Alberta's energy sector. Later in the call, Bob will provide additional updates on our development projects, including our clean fuels initiatives and our renewables development portfolio.

With that, let's dive into each segment in more detail. I will now turn the call over to Wayne to discuss the ATCO Energy Systems results.

Wayne Stensby:

Thank you, Katie, and good morning, everyone.

ATCO Energy Systems delivered strong quarterly earnings performance, with adjusted earnings of $94 million. This is up $8 million from the same period in 2023. Our third quarter results benefited from the increase in the allowable ROE, from 8.5 per cent in 2023 to 9.28 per cent in 2024, as well as continued rate-based growth across all of our utilities. For Electric Distribution, this year-over-year growth was offset by a favourable tax adjustment recorded over the final two quarters of 2023, as well as the timing of operating expenses.

As we look towards 2025, there are some upcoming trends that I would like to highlight.

We expect to continue to have a robust level of capital investment and rate-based growth across our utilities, which is going to translate to high-quality earnings growth. However, our allowable ROE of 9.28 per cent for 2024 will change for 2025. With updated inputs approved last year and, in particular, the long-term Government of Canada yields, the Commission recently rendered its decision setting an ROE of 8.97 per cent for 2025.

As Katie mentioned, in 2023 and 2024, we also benefited from the two-year efficiency carryover mechanism due to our strong efficiency gains under the prior PBR2 framework, and that incremental 50 basis points of ROE, in both of our gas and electric distribution utilities, does not continue past 2024.

We are on track to meet our prior investment guidance for 2024. In Q3, we invested $366 million, bringing our year-to-date total to $931 million. In the last quarterly call, I spoke about the devastating Jasper wildfire and, while relatively small, perhaps, in terms of total dollar value, I think it's helpful to spend a moment on our rapid rebuild of the infrastructure in Jasper.

Our teams have worked closely with Parks Canada and we have made significant progress on this rebuild effort, and have restored both gas and electric service to all of the available businesses and residents. Notably, is the way that we've been rebuilding our infrastructure, and particularly on the electric network, in order to support long-time resiliency and to mitigate the impact of future wildfire or other weather-related events. We've carried out the rebuild work with more resilient hardware, like composite poles, and in a large amount of undergrounding. Having a resilient and reliable power grid has never been more important, and the rebuild of Jasper is just one example of the type of work that we are rolling out across our broader network over the next several years.

In Q3, we broke ground on our Central East Transfer Out (CETO) transmission line project. This is a $280 million project that was direct-to-sign by the Alberta Electric System Operator, or the AESO, that will bring additional energy from the eastern part of Alberta to load centres. The line is expected to be in-service in mid-2026.

With continued growth an economic expansion in Alberta, the increasing frequency and severity of climate-related events, and the transitioning of the energy supply mix, there is no question that more investment is required in both of our electric and gas networks. Projects, like CETO are important, but insufficient by themselves, in order to enable a reliable and resilient energy system that is the necessary foundation to support ongoing prosperity in the province. Alberta will require material additional investment in both electric and natural gas transmission infrastructure, and we are working collaboratively with the AESO, the Government of Alberta, and other industry participants, in order to identify, develop and build these solutions.

One of the projects that enables Alberta prosperity is our Yellowhead mainline project. This project is expected to deliver 1.1 Bcf/day of additional natural gas into the Heartland region, east of Edmonton, and is supporting billions of dollars of investment and many thousands of jobs in low-carbon industrial applications, as well as supporting ongoing residential growth in our province.

We were pleased to announce in Q3 the filing of the first regulatory application for the project, which included a project cost estimate of $2.8 billion. This first application, known as the Needs Application, was filed in September with the Alberta Utilities Commission. The proceedings schedule has not yet been finalized, but we expect to receive an approval for this initial application sometime late Q1 or Q2 of 2025, which will then enable us to make commitments on long-lead procurement.

The next major regulatory process, which is known as the Facility Application, will establish the final route, amongst other elements, of the project, and we expect to be in a position to file that in the third quarter of 2025, and obtain approvals that enable construction to commence mid-2026, in order to deliver a Q4 2027 in-service date.

With that, I'd like to pass the call over to Bob, who will speak to the results of EnPower.

Bob Myles:

Thank you, Wayne, and good morning, everyone.

As Katie indicated earlier, adjusted earnings for ATCO EnPower were up from the same period in 2023. Further, adjusted EBITDA for the quarter was $39 million, up 18 per cent from the $33 million for the same period last year.

Within our Storage and Industrial Water business, we recorded another strong quarter, with adjusted earnings higher by $6 million, compared to Q3 2023, bringing it up to $13 million for the quarter. Earnings growth in this segment was driven by increased demand and strong seasonal spreads in natural gas storage. In 2024, we have been successful in securing several fixed and long-term contracts, which have provided line of sight to higher margins and earnings this year, and beyond. We are also assessing various opportunities to increase storage capacities at our facilities in the next 24 months, as we believe market conditions, including the commencement of LNG shipments from the West Coast of Canada, support this storage growth.

Within our Electricity Generation business, we reported adjusted earnings of $1 million, which is $1 million lower compared to the same quarter last year. Electricity Generation results were reflective of lower realized pricing driven by lower merchant pricing in Alberta. This was partially offset by generation increasing 20 per cent, compared to the prior year quarter, with our solar increasing related to our Deerfoot and Empress assets, which did not commence full operation until Q4 2023. We continue to focus on contracting our generation via Power Purchase Agreements (PPA) with high-quality counterparties. Compared to Q3 2023, our percentage of generation under PPAs increased from 54 per cent to 67 per cent, and, comparatively, for the nine-month period has increased from 28 per cent to 73 per cent.

Moving to our development pipeline, I want to touch on the Heartland Hydrogen Hub project and the significant progress we have made in advancing this important opportunity.

I'm very pleased to announce that we have signed a Letter of Intent with Linde Canada, who will be both an operator and our equity partner in this project. Our partnership with Linde provides the quickest path to reach final investment decisions, as they bring expertise from existing projects around the world, improving the overall process, cost and timing of this project.

We continue to work with the federal and provincial governments to establish policy and frameworks that will facilitate investment in the Canadian hydrogen economy for both export and domestic opportunities. We remain ready to advance this critical opportunity, and expect that continued positive dialogue with various levels of government, which, if advanced, will allow us to commence Front End Engineering Design by the end of 2024.

We have also continued to progress discussions with interested First Nations to participate in our large hydrogen initiative. We're working towards making a project final investment decision in 2025, and we'll continue to provide updates as we progress this opportunity.

As shown on this slide, strategic partnerships across the entire value chain continue to be of significant importance to our overall clean fuel strategy at ATCO EnPower. Alongside our partner Shell, we continue to advance construction of our Atlas Carbon Storage Hub in Alberta. The Atlas Hub will offer CO2 transportation and sequestration services, and is anchored by volumes from Shell's Polaris Carbon Capture Project. We anticipate Phase 1 of Atlas to be operational in 2028, and are currently progressing discussions with Shell, and other third-party emitters, to evaluate opportunities for future phases.

On the transport side, we recently completed the construction of two hydrogen production and refueling stations for CPKC as part of its innovative hydrogen locomotive program. Each of the facilities include a one-megawatt electrolyser, compression, storage and dispensing systems for locomotive refueling. This partnership represents significant progress in utilizing hydrogen as a fuel source for commercial transportation, and reflects our commitment to building a sustainable future. We look forward to continuing to partner with transport leaders, including CPKC, as a way to provide innovative energy solutions for customers around the world.

Reflecting on our renewables development portfolio, we continue to believe that we have an attractive pipeline of wind, solar and battery opportunities in which to invest through 2030. Our strategy of contracting offtake prior to development with Power Purchase Agreements from high-quality counterparts has not changed. What has been impacted is our pace of construction due to the uncertainties surrounding the restructured energy market in Alberta. We continue to believe that a realistic design for a restructured energy market is needed, where key design elements are tested appropriately, to ensure adequate supply is available for the grid, while ensuring affordability for Albertans. We continue to be a key stakeholder in this engagement with the AESO, and we expect to be able to discuss further updates on this restructured energy market and our development pipeline early in 2025.

With that, I'll pass things back to Katie.

Katie Patrick:

Thanks very much, Bob and Wayne.

Canadian Utilities delivered another great quarter, and we are on a strong footing for the last quarter of the year. The entire Canadian Utilities team is focused on delivering this new phase of growth we have set for ourselves. We are building momentum across our businesses, growing earnings, all while delivering sustainable shareholder value.

That concludes our prepared remarks. I will now turn the call back to Colin.

Colin Jackson:

Thank you, Katie. In the interest of time, we ask that you limit yourself to two questions. If you have additional questions, you are welcome to rejoin the queue.

I will now turn it over to the conference co-ordinator for questions.

Operator:

Thank you. We will now begin the question-and-answer session. To join the question queue, you may press star, and then one, on your telephone keypad. You will hear a tone acknowledging your request. If you are using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, please press star, and then two.

Your first question today will come from Rob Hope with Scotiabank. Please go ahead.

Rob Hope:

Good morning, everyone. First question is on the power business. Going back a number of years ago, you did have a fleet of natural gas-fired assets. As power demand inflects higher across the globe, is this an asset class that you could revisit in Alberta, which could need some additional capacity longer term, or in other geographies.

Bob Myles:

Hi, Rob. Bob here. We absolutely are looking at all forms of generation. I mean, obviously, we've been pursuing solar, wind, hydro for the last number of years here, but we are also interested in pursuing gas-fired generation, as well. So, we would entertain that in Alberta, and in other jurisdictions, as well.

Rob Hope:

Then, maybe just going over to kind of your two large hydrogen opportunities, one in Australia and one in Alberta, when you think about kind of the development timeline, when do you think capital could really start to be put to work there; and then, how do you mitigate the risks associated with first-of-a-kind development?

Bob Myles:

Sure. I'll touch on Alberta, and then Katie may want to comment a little bit on Australia, but for us, we're not at all interested in spending a significant amount of capital without solid creditworthy counterparties and offtakers. So, that's our objective, is ensuring that we have the offtakers to protect our investments, and also to justify the projects.

With regards to the timing, if we can make a final investment decision in 2025, towards the end of 2025, we see starting to get into construction in the 2026 to 2029 timeline. So, that's when we would see the larger investment, capital investments, during that period.

Katie, did you want to comment on Australia?

Katie Patrick:

Yes, thanks, Bob. Rob, in Australia, the big thing there is that right now the Genuine Offer phase that I discussed is really around the EPC and O&M components of that large project with the South Australian Government has planned, but just to be clear, the South Australian Government is the current sole equity proponent of that project. There is the opportunity, and we'll continue to evaluate it, for equity participation by ATCO, but the details of that are a ways out yet, until we know exactly how that would be structured and the amount of capital we could potentially put into that.

Rob Hope:

Thank you.

Operator:

Your next question today will come from Maurice Choy with RBC. Please go ahead.

Maurice Choy:

Thanks, and good morning, everyone. I want to come back to one of the prepared remarks comment that you made, Katie, in referencing the financing plan for ATCO EnPower. You mentioned you've scaled your growth to ensure you are self-funded over the medium term. Does that mean that you're not anticipating the separation of ATCO EnPower from your business anymore, but more importantly (b), can you fund your share of the $4.5 billion to $5 billion project without raising new equity?

Katie Patrick:

Hi, Maurice. Thanks for the pickup on that one. Yes, I think, indeed, we have looked at our ambitions and what we have in front of us, and I think, as we've always spoke about, our path forward within EnPower is related to key partnerships, such as the Linde one that Bob spoke about, so we have set up a self-funding plan. There's significant amounts of cash flow that come off of our current base operating assets in the storage business, that will continue to fund that business in the medium term, including our expected proportion of the hydrogen project. Of course, there will be significant amounts of project-level financing required, debt financing, but for the time being, we do have a plan that would allow us to avoid any equity raises associated with that plan.

Maurice Choy:

Got it, thank you very much for the clarity, and maybe as quick follow-up, when you mention you've scaled your growth, I just want to get more clarity on what this means. Do you mean optimizing your growth CapEx, such as reducing the renewables construction that Bob mentioned?

Katie Patrick:

Yes, it's a combination of looking at our growth plan—we haven't reduced any of the projects we're looking at, but just looking at potential increased project-level partnerships on some of those assets. We continue to have a robust pipeline, and we will manage that pipeline, in terms of the timing of how we deploy capital, to remain within that self-funding guideline that I set out.

Maurice Choy:

Understood, and if I could just finish off with a question about—I think there was a comment earlier about material investments in Electricity and Transmission, electricity and gas T&D. There's obviously a lot of talk about data centres in Alberta. Are you seeing—given that your position is a T&D owner and operator, are you seeing any tangible evidence of this higher demand coming through, and what does it mean for your own long-term 4 per cent to 5 per cent rate-based CAGR outlook?

Wayne Stensby:

For sure, we are seeing, as you said, Maurice, tangible evidence. There's a lot of interest, as there is, undoubtedly, in a lot of jurisdictions, but, yes, we are seeing inbound interest vis-à-vis interconnections with transmission and, in some cases, the distribution networks. A lot of these data centres are eventually—I mean, it's going to be a function of how quickly, I believe, they can get all of the approvals and move into construction, and I think that's going to be a—with the backdrop of Alberta, the restructured energy market, evaluations that are underway, and some of the other policy pieces that are underway with the AESO and with the Government of Alberta, I think there's going to continue to be a bit of a tension back and forth on how do we support this level of economic growth as we're working through these policy matters. But, yes, we are seeing tangible evidence.

Maurice Choy:

And what this means for your long-term rate-based CAGR? Is this underpinning it, or do you think there's upside to it?

Wayne Stensby:

I would say—and it's not really just the data centres—I would say, if we consider—you know, the elements that Katie touched on kind of at the very beginning, we continue to see more and more opportunities in both the gas and the electricity markets, that certainly underpin and would push up potential future rate-based opportunities.

Maurice Choy:

Understood. Thank you.

Operator:

Your next question today will come from Mark Jarvi with CIBC Capital Markets. Please go ahead.

Mark Jarvi:

Hey, good morning, everyone. Katie, I want to come back to the comments you just made about EnPower and sizing it properly to manage equity need and being self-funded. It does sound like you're going to scale back how much equity you would put in, whether it's debt or partner capital. Does that change at all the earnings power you see from that business going forward? Because, one time the comment was you had to raise equity that would be accretive and it would drive higher earnings. I'm just trying to understand how this sort of changes the trajectory of earnings out of EnPower.

Katie Patrick:

Well, obviously, the more—thanks, Mark—the more capital that we deploy, we can drive higher earnings. Now, there's a number of external market situations, as well, right now, you know, related to the renewables situation in Alberta, that have us sort of delaying some of the projects that we have there. So, that combination of sort of a delay of those, continuing to find the partnerships, and looking at a risk profile for how much capital we want to put into some of these, has led to the self-funding plan that I spoke about.

I think, as we move forward, if we see a very value-accretive opportunity to deploy capital, we will look for it. Just based on our capital allocation and the capital needs we see across both of the businesses, I think we've set up a plan right now that is a good, appropriate balance between the two businesses and our risk return appetite.

Mark Jarvi:

Understood, and then just a follow-up. On the ATCO Energy Systems side, though, with the growth including Yellowhead, you could still see equity needs on that side of the business?

Katie Patrick:

Yes, as I said, over the next couple of years, we don't anticipate the need to access the equity capital markets for any of our businesses on the Canadian Utilities side, and then, as we look to get into the heavy spend associated with Yellowhead, we will consider all of our options for the best shareholder value to raise the necessary capital for that project.

Mark Jarvi:

Okay, and then last question for me. Just on the agreement in Australia, how do you see that impacting earnings into 2025 for the gas distribution utility there, relative to maybe this year?

Katie Patrick:

For the AA6 arrangement?

Mark Jarvi:

Yes, exactly, yes.

Katie Patrick:

Yes, I think we're pretty positive on that outlook. We, obviously, don't provide specific guidance for our businesses, but I think we are pretty, generally, positive, and as we digest and run that through, we'll start to provide some outlook on what that might mean for the next five years.

Mark Jarvi:

Can you clarify what rate-based growth would be now, given you've got that clarity?

Katie Patrick:

I think we—again, I think we can follow up as we run that through our machine here, and we can provide some of that outlook at the year-end, when we normally do update all of our rate base for all of our utilities.

Mark Jarvi:

Okay, all right. Thanks for the time today.

Operator:

Your next question today will come from Patrick Kenny with National Bank Financial. Please go ahead.

Patrick Kenny:

Thank you. Good morning, everyone. Just on the 8.97 per cent ROE here for 2025, I'm wondering if you can comment on how that squares up with the broader theme across North America for, basically, all utilities needing to accelerate CapEx to bring all forms of energy to market, whether it's gas, renewables, storage, you name it, just how that squares up with your outlook for accelerating your own CapEx profile.

Wayne Stensby:

Well, I think—it's Wayne, Patrick—one point we should make is the decision that was issued by the AUC on allowable ROE and the formulamatic, or the formula approach, as we move into 2025, that will be the second year, I guess, of that decision, and recall that, that decision is in place to, in some ways, provide some forward certainty around ROEs, and also to kind of bring a bit of an end to what was an ongoing, every-few-year kind of fully litigated process. So, we're moving into the second year of that.

I think your broader question is how competitive, maybe, is 8.97 per cent across the broad suite of utilities in a very high-growth utility marketplace, and I think that is an ongoing discussion that, I would say, every utility company is presently having across North America, as we think about funding all of that utility capital.

I think there's a few years in front of us, frankly, as we think about these very, very large utility growth profiles and the funding of those growth profiles, but what we're very positive on here in Alberta is the strong underpinning elements of the Alberta economy and the opportunities that we do have for substantial rate-base growth.

Patrick Kenny:

Yes, and I guess where I'm going with that is, notwithstanding the tailwinds here in Alberta from a rate-base growth perspective, just as you think about your portfolio geographically—obviously, a change in administration coming down south, we'll see what that translates to in terms of the IRA, and also political dynamics shifting in South America, as well as here in your own backyard. So, maybe just a high-level update on how you view Alberta, on a relative basis, versus some of the other jurisdictions that you play in, and how you see your geographic exposure potentially shifting over the next five years?

Colin Jackson:

Katie, I don't know if you want to tackle that question from a capital allocation perspective.

Katie Patrick:

Yes, I'm happy to. I mean, I think—as you know, we have our two utilities in Australia and in Alberta, and we continue to be very, very bullish on those two jurisdictions, in the sense of the fundamentals behind the long-term, as Wayne alluded to and I alluded to in my opening remarks, the economic growth, the strong general business environment that we have in Alberta, etc., etc., the continued support for natural gas in both of the jurisdictions that we operate. We're really happy with continuing to invest in those jurisdictions, provided that we can get—there's a few regulatory/government policy items that we really need to work with the government on to deploy the capital, specifically, around the renewables market, and some of the final pieces of some of the energy transition elements. But, I think, sort of the question around the global broader diversification strategy, we will continue to look at that opportunity, but as you can tell, we have pretty significant capital deployment opportunities in our existing areas that we operate right now. So, I think we have our hands full for the next couple of years, at least, in trying to fulfill that demand.

Patrick Kenny:

Okay, that's great, I appreciate it. Thank you.

Operator:

This concludes our question-and-answer session. I would like to turn the conference back over to Mr. Colin Jackson for any closing remarks.

Colin Jackson:

Thank you, Nick, and thank you all for participating today. We appreciate your interest in Canadian Utilities, and we look forward to speaking with you again soon. Thank you.

Operator:

This brings to a close today's conference call. You may now disconnect your lines. Thank you for participating, and have a pleasant day.