

DISCLAIMER

Due to uncertainty surrounding the application of recent amendments to the Competition Act (Canada), the documents incorporated by reference herein are referenced for historical information purposes only and do not constitute active or current representations of CU Inc. or any of its related parties. The purpose of these documents is to comply with disclosure requirements that were in effect on the date these documents were filed; CU Inc. undertakes no obligation to update such information except as required by applicable law. CU Inc. remains committed to taking steps to address climate change and continuing to engage in sustainability initiatives.





An **ATCO** Company

CU INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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 nine months ended September 30, 2024.

This MD&A was prepared as of November 13, 2024, and should be read with the Company's unaudited interim consolidated financial statements for the nine months ended September 30, 2024. Additional information, including the Company's previous MD&As, Annual Information Form, 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 \$645 million and \$2,221 million in the third quarter and first nine months of 2024 were \$44 million and \$73 million higher compared to the same periods 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

(\$ millions)	Three Months Ended September 30			Nine Months Ended September 30		
	2024	2023	Change	2024	2023	Change
Electricity						
Electricity Distribution ⁽¹⁾	36	38	(2)	104	103	1
Electricity Transmission ⁽¹⁾	47	45	2	143	126	17
Total Electricity ⁽¹⁾	83	83	—	247	229	18
Natural Gas						
Natural Gas Distribution ⁽¹⁾	(25)	(30)	5	73	58	15
Natural Gas Transmission ⁽¹⁾	21	21	—	67	69	(2)
Total Natural Gas ⁽¹⁾	(4)	(9)	5	140	127	13
Corporate & Other and Intersegment Eliminations ⁽¹⁾	(6)	—	(6)	(15)	(1)	(14)
Total Utilities ⁽²⁾	73	74	(1)	372	355	17

(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 \$73 million in the third quarter of 2024 were \$1 million lower than the same period in 2023 mainly due to tax adjustments recorded by Electricity Distribution over the final two quarters of 2023.

Utilities adjusted earnings of \$372 million in the first nine months of 2024 were \$17 million higher than the same period in 2023 mainly due to growth in rate base and an increase in ROE, and lower earnings in the second quarter of 2023 due to the 2018-2021 Deferral Application decision which denied Electricity Transmission recovery of forgone return on rate base related to certain cancelled projects. Higher earnings were partially offset by tax adjustments recorded by Electricity Distribution over the final two quarters of 2023, and 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 \$36 million in the third quarter of 2024 were \$2 million lower than the same periods in 2023 mainly due to tax adjustments recorded over the final two quarters of 2023 and the timing of operating costs, partially offset by growth in rate base and an increase in ROE.

Electricity Distribution adjusted earnings of \$104 million in the first nine months of 2024 were \$1 million higher compared to the same period in 2023 mainly due to growth in rate base and an increase in ROE.

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 \$47 million and \$143 million in the third quarter and first nine months of 2024 were \$2 million and \$17 million higher than the same periods in 2023 mainly due to growth in rate base and an increase in ROE. Additionally, adjusted earnings were higher for the first nine months of 2024 due to the 2018-2021 Deferral Application decision received in the second quarter of 2023 which denied recovery of forgone return on rate base related to certain cancelled projects.

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 in the third quarter and first nine months of 2024 were \$5 million and \$15 million higher than the same periods in 2023 mainly due to growth in rate base and an increase in ROE.

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 \$21 million in the third quarter of 2024 were comparable to the same period in 2023.

Natural Gas Transmission adjusted earnings of \$67 million in the first nine months of 2024 were \$2 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 ROE.

CORPORATE & OTHER AND INTERSEGMENT ELIMINATIONS

Including intersegment eliminations, Corporate & Other adjusted earnings in the third quarter and first nine months of 2024 were \$6 million and \$14 million lower than the same periods in 2023 mainly due to higher interest expense resulting from short-term borrowings.

RECENT DEVELOPMENTS

Yellowhead Mainline Project

On September 18, 2024, ATCO Energy Systems announced the filing of a comprehensive regulatory application that establishes the need for the Yellowhead Mainline natural gas project and represents the first of two applications to the AUC. This Alberta project consists of approximately 200-230 kilometres of high-pressure natural gas pipeline and related control and compression facilities that will run from the Edson area to the northeast Edmonton area and is expected to have the capability to deliver about 1,200 terajoules (or 1.1 billion cubic feet) per day of incremental natural gas. Subject to regulatory and the Company's approvals, construction is expected to commence in 2026 and the pipeline is expected to be on-stream in the fourth quarter of 2027.

REGULATORY DEVELOPMENTS

ELECTRICITY TRANSMISSION

ATCO Electric Settlement Application

On June 24, 2024, AUC Enforcement and ATCO Electric filed a joint submission seeking the AUC's approval of a settlement agreement involving two matters ATCO Electric had previously self-reported to AUC Enforcement staff. These historical items related to disclosure requirements for two independent matters included in applications filed in 2015 and 2019, for projects

constructed between 2012 and 2015. They were identified following an extensive internal investigation supported by independent third parties. There is no material impact to customer rates (or bills) as a result of these matters.

On September 25, 2024, the AUC released their decision approving the settlement agreement as filed, including the associated costs that were recognized in the second quarter of 2024.

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 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.

SUSTAINABILITY REPORTING

The ATCO group of companies' 2023 Sustainability Report was published on May 6, 2024 and 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.

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 are available on our website at www.canadianutilities.com.

CLIMATE CHANGE AND ENERGY TRANSITION

We strive to support the energy transition and contribute positively to society's long-term sustainability goals by pursuing initiatives that may integrate cleaner fuels, renewable energy, storage, and/or energy efficiencies. We look for ways to continually improve and innovate the essential energy infrastructure and services we provide to our customers and communities. We seek to balance critical considerations, like safety, reliability and affordability, as well as unique jurisdictional characteristics with our aspiration to contribute positively to society's energy transition goals.

POLICY/REGULATORY UPDATE

We constructively work with all levels of government to advocate for enabling policy and regulation, and to identify barriers that impede cost-effective, economy-wide solutions. 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.

Government of Canada Fall Economic Statement Act and Budget Implementation Act

On June 20, 2024, the *Fall Economic Statement Implementation Act* (Bill C-59) and the *Budget Implementation Act* (Bill C-69) received Royal Assent and became enacted. Some highlights were mentioned in the last quarterly report. Below are more recent updates on two of the specific topics:

- *Competition Act (Canada)* – Following the enactment of new prohibitions against "greenwashing" (i.e., misleading claims about a company's environmental practices or the environmental benefits of a product) under the *Competition Act (Canada)*, the Competition Bureau launched a public consultation to gather input from various stakeholders in developing its guidance on the application of the new provisions. The new private right of action, which will come into effect on June 20, 2025, effectively places a reverse onus on companies to prove the representations they make, including that they are in line with "internationally recognized methodology", which is not defined. Further developments from the Competition Bureau based on the stakeholder consultation are expected before the private right of action comes into force. In the interim, we continue to assess how these amendments may impact our future disclosures.
- *Excessive Interest and Financing Expenses Limitation (EIFEL)* – Rules regarding the introduction of an additional interest deduction limitation in Canada will be applicable to tax years beginning on or after October 1, 2023. Following the release, the Federal government has proposed exemptions for regulated utilities from the EIFEL rules. If the new proposed amendments are enacted, we believe the EIFEL rules will have a minimal impact on our business.

Government of Canada Green Buildings Strategy

In July 2024, the Government of Canada officially released the Canada Green Buildings Strategy (CGBS). The document centres around three priorities to advance the decarbonization of buildings, focusing on energy efficiency and affordability: accelerating retrofits, building green and affordable buildings from the start, and shaping the buildings sector of the future. The document is limited to addressing heating oil and does not target natural gas and propane heating sources. The CGBS commits the government to introducing a regulatory framework that will allow the phase-out of the installation of oil heating systems in new construction, as early as 2028.

OTHER EXPENSES AND INCOME

A financial summary of other consolidated expenses and income items for the third quarter and first nine months 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.

(\$ millions)	Three Months Ended September 30			Nine Months Ended September 30		
	2024	2023	Change	2024	2023	Change
Operating costs	319	321	(2)	1,084	1,035	49
Depreciation, amortization and impairment	146	141	5	438	431	7
Net finance costs	99	91	8	294	267	27
Income tax expense	18	12	6	93	93	—

OPERATING COSTS

Operating costs, which are total costs and expenses less depreciation, amortization and impairment, decreased by \$2 million in the third quarter of 2024 compared to the same period in 2023. Lower operating costs were mainly due to Electricity Transmission's decreased plant and equipment maintenance, and timing of project costs in Electricity Distribution.

Operating costs, which are total costs and expenses less depreciation, amortization and impairment, increased by \$49 million in the first nine months of 2024 compared to the same period in 2023. Higher operating costs were mainly due to restructuring costs, higher flow-through expense in Natural Gas Distribution for third party transmission fees, and increased electricity rates at ATCO Yukon Electric.

DEPRECIATION, AMORTIZATION AND IMPAIRMENT

Depreciation, amortization and impairment increased by \$5 million and \$7 million in the third quarter and first nine months of 2024 compared to the same periods in 2023 mainly due to ongoing capital investment, partially offset in the first nine months by the 2023 impairment of \$8 million regarding certain electricity generation assets that had been removed from service and determined to have no remaining value in Electricity Transmission.

NET FINANCE COSTS

Net finance costs increased by \$8 million and \$27 million in the third quarter and first nine months of 2024 compared to the same periods in 2023 mainly due to higher interest expense on additional debt issued to fund the ongoing capital investment.

INCOME TAX EXPENSE

Income taxes increased by \$6 million in the third quarter of 2024 compared to the same period in 2023 mainly due to higher IFRS earnings before income taxes.

Income taxes in the first nine months of 2024 were comparable to the same period in 2023.

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 September 30, 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 July 23, 2024, DBRS Limited affirmed its 'A (high)' long-term corporate credit rating and stable outlook on CU Inc.

LINES OF CREDIT

At September 30, 2024, CU Inc. and its subsidiaries had the following lines of credit.

(\$ millions)	Total	Used	Available
Long-term committed	900	—	900
Uncommitted	100	34	66
Total	1,000	34	966

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 September 30, 2024, the Company's cash position was \$(28) million. This represents a decrease in the third quarter and first nine months of 2024 of \$40 million compared to the same periods in 2023. Major movements are outlined in the following table:

(\$ millions)	Three Months Ended September 30			Nine Months Ended September 30		
	2024	2023	Change	2024	2023	Change
Cash position, beginning of period	(273)	(170)	(103)	(71)	(12)	(59)
Cash from (used in):						
Operating activities	318	321	(3)	1,182	1,144	38
Investing activities	(321)	(301)	(20)	(889)	(817)	(72)
Financing activities	248	162	86	(250)	(303)	53
Cash position, end of the period	(28)	12	(40)	(28)	12	(40)

The opening cash position of \$(273) million and \$(71) million in the third quarter and first nine months of 2024 was \$103 million and \$59 million lower compared to the same periods in 2023 mainly due to the funding of capital projects throughout 2023, and the timing of payables.

Operating Activities

Cash flows from operating activities of \$318 million in the third quarter of 2024 were \$3 million lower than the same period in 2023 mainly due to timing of payables.

Cash flows from operating activities of \$1,182 million in the first nine months of 2024 were \$38 million higher than the same period in 2023 mainly due to timing of payables, partially offset by restructuring costs incurred in 2024.

Investing Activities

Cash flows used in investing activities of \$321 million and \$889 million in the third quarter and first nine months of 2024 were \$20 million and \$72 million higher than the same periods in 2023 mainly due to increased capital expenditures related to ongoing system upgrades and growth projects for new customers, partly offset by the timing of settlement of accounts payable on capital projects.

Cash Used for Capital Expenditures

Capital expenditures for the third quarter and first nine months of 2024 and 2023 are shown in the table below.

(\$ millions)	Three Months Ended September 30			Nine Months Ended September 30		
	2024	2023	Change	2024	2023	Change
Electricity Distribution	115	113	2	319	266	53
Electricity Transmission	80	43	37	173	184	(11)
Natural Gas Distribution	105	93	12	296	246	50
Natural Gas Transmission	64	40	24	140	99	41
Total ⁽¹⁾ ⁽²⁾	364	289	75	928	795	133

(1) Includes additions to property, plant and equipment, intangibles, and \$4 million and \$10 million (2023 - \$5 million and \$12 million) of capitalized interest during construction for the third quarter and first nine months of 2024.

(2) Includes \$18 million and \$77 million for the third quarter and first nine months of 2024 (2023 - \$30 million and \$108 million) of capital expenditures that were funded with the assistance of customer contributions and government grants.

Cash used for capital expenditures was \$364 million and \$928 million in the third quarter and first nine months of 2024, \$75 million and \$133 million higher compared to the same periods in 2023 mainly due to increased spending related to ongoing system upgrades and growth projects for new customers, partially offset in the first nine months by the timing of capital spending at Electricity Transmission.

Financing Activities

Cash flows from financing activities were \$248 million in the third quarter of 2024, \$86 million higher than the same period in 2023 mainly due to the debenture issuance of \$410 million in the third quarter of 2024, an increase of \$70 million to the 2023 third quarter debenture issuance.

Cash flows used in financing activities were \$250 million in the first nine months of 2024, \$53 million lower than the same period in 2023 mainly due to the proceeds from the debenture issuance in the third quarter of 2024, offset by higher repayments of long-term debt in early 2024.

Debenture Issuance

On September 11, 2024, CU Inc. issued \$410 million of 4.664 per cent 30-year debentures. Proceeds from the issue are being used to finance capital expenditures, to repay existing indebtedness and for other general corporate purposes.

SHARE CAPITAL

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

At November 12, 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 December 31, 2022 through September 30, 2024.

(\$ millions)	Q4 2023	Q1 2024	Q2 2024	Q3 2024
Revenues	783	880	696	645
Earnings for the period	105	200	49	63
Adjusted earnings (loss) ⁽¹⁾				
Electricity ⁽²⁾	83	88	76	83
Natural Gas ⁽²⁾	84	121	23	(4)
Corporate & Other and Intersegment Eliminations ⁽²⁾	—	(4)	(5)	(6)
Total adjusted earnings ⁽¹⁾	167	205	94	73

(\$ millions)	Q4 2022	Q1 2023	Q2 2023	Q3 2023
Revenues	837	877	670	601
Earnings for the period	136	209	77	36
Adjusted earnings (loss) ⁽¹⁾				
Electricity ⁽²⁾	70	82	64	83
Natural Gas ⁽²⁾	83	113	23	(9)
Corporate & Other and Intersegment Eliminations ⁽²⁾	(2)	(1)	—	—
Total adjusted earnings ⁽¹⁾	151	194	87	74

(1) Total of segments measure (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 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.

Adjusted earnings in the second quarter of 2024 were higher compared to the same period in 2023 mainly due to growth in rate base and an increase in ROE, and the 2023 decision received from the AUC on the 2018-2021 Deferral Application decision which denied Electricity Transmission recovery of forgone return on rate base related to certain cancelled projects. 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.

Adjusted earnings in the third quarter of 2024 were lower compared to the same period in 2023 mainly due to higher interest expense resulting from short term borrowings, tax adjustments recorded by Electricity Distribution over the final two quarters of 2023, partially offset by growth in rate base and an increase in ROE.

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.
- In the second quarter of 2024, the Company recorded restructuring costs of \$32 million (after-tax) mainly related to staff reductions and associated severance costs.
- In the second quarter of 2024, the Company recorded an \$8 million (after-tax) reduction to earnings related to an AUC enforcement decision on two historical matters the Electric Transmission business had self-reported to AUC Enforcement staff.

OTHER FINANCIAL AND NON-GAAP MEASURES

This MD&A should be read with the Company's unaudited interim consolidated financial statements for the nine months ended September 30, 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.

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.

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 and mid-year rate base 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.

Mid-year rate base is a non-GAAP financial measure. Mid-year rate base for a given year is calculated as the average of the opening rate base and the closing rate base. 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 is not a standardized financial measure under the reporting framework used to prepare our financial statements and may not be comparable to similar financial measures disclosed by other issuers. Management views mid-year rate base as a key metric for determining the Company's profitability. Further information regarding mid-year rate base, including a reconciliation of mid-year rate base to property, plant and equipment and intangible assets, is presented in Appendix 1: Supplemental Non-Audited Financial Information to this MD&A.

Non-GAAP Ratio

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

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 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 than IFRS earnings. Additional information regarding this measure is provided in the "Other Financial and Non-GAAP Measures" section of this MD&A.

<i>(\$ millions)</i>	Three Months Ended September 30				
2024	Electricity	Natural Gas	Corporate & Other	Intersegment Eliminations	Consolidated
2023					
Revenues	340	304	—	1	645
	308	295	—	(2)	601
Adjusted earnings (loss)	83	(4)	(6)	—	73
	83	(9)	—	—	74
Rate-regulated activities	(12)	6	—	—	(6)
	(49)	15	—	—	(34)
IT Common Matters decision	(3)	(2)	—	—	(5)
	(4)	(1)	—	—	(5)
Dividends on equity preferred shares of the Company	1	—	—	—	1
	1	—	—	—	1
Earnings (loss) for the period	69	—	(6)	—	63
	31	5	—	—	36

	Nine Months Ended September 30				
(\$ millions)					
2024	Electricity	Natural Gas	Corporate & Other	Intersegment Eliminations	Consolidated
2023					
Revenues	1,041	1,186	—	(6)	2,221
	1,026	1,126	—	(4)	2,148
Adjusted earnings (loss)	247	140	(15)	—	372
	229	127	(1)	—	355
Restructuring	(13)	(19)	—	—	(32)
	—	—	—	—	—
ATCO Electric settlement decision	(8)	—	—	—	(8)
	—	—	—	—	—
Rate-regulated activities	(36)	27	—	—	(9)
	(33)	20	—	—	(13)
IT Common Matters decision	(9)	(7)	—	—	(16)
	(9)	(6)	—	—	(15)
Impairment	—	—	—	—	—
	(8)	—	—	—	(8)
Transition of managed IT services	—	—	—	—	—
	(1)	(1)	—	—	(2)
Dividends on equity preferred shares of the Company	3	2	—	—	5
	3	2	—	—	5
Earnings (loss) for the period	184	143	(15)	—	312
	181	142	(1)	—	322

RESTRUCTURING

The Company recorded restructuring costs of \$32 million (after-tax) in the second quarter of 2024 mainly related to staff reductions and associated severance costs. As these costs are not in the normal course of business, they have been excluded from adjusted earnings.

ATCO ELECTRIC SETTLEMENT DECISION

On June 24, 2024, AUC Enforcement filed a joint submission with ATCO Electric seeking the AUC's approval of a settlement agreement involving two matters ATCO Electric had previously self-reported to AUC Enforcement staff. These historical items, which were related to disclosure requirements for two independent matters included in applications filed in 2015 and 2019, for projects constructed between 2012 and 2015. They were identified following an extensive internal investigation supported by independent third parties.

On September 25, 2024, the AUC released their decision approving the settlement agreement that included an administrative penalty of \$3 million, and a refund to customers through a billing adjustment to the Alberta Electric System Operator of \$4 million. In the second quarter of 2024 the Company recognized costs of \$8 million (after tax) related to the proceeding. As this is not in the normal course of business, it has been excluded from adjusted earnings.

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 US as another source of generally accepted accounting principles to account for rate-regulated activities in its internal reporting provided to the Chief Operating Decision Maker (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.

For the three and nine months ended September 30, the significant timing adjustments as a result of the differences between rate-regulated accounting and IFRS Accounting Standards are as follows:

(\$ millions)	Three Months Ended September 30			Nine Months Ended September 30		
	2024	2023	Change	2024	2023	Change
Additional revenues billed in current period						
Future removal and site restoration costs ⁽¹⁾	31	24	7	94	90	4
Revenues to be billed in future periods						
Deferred income taxes ⁽²⁾	(31)	(38)	7	(93)	(110)	17
Impact of warmer temperatures ⁽³⁾	(5)	(3)	(2)	(1)	(10)	9
Settlement of regulatory decisions and other items						
Distribution rate relief ⁽⁴⁾	—	4	(4)	—	13	(13)
Other ⁽⁵⁾	(1)	(21)	20	(9)	4	(13)
	(6)	(34)	28	(9)	(13)	4

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

(3) 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.

- (4) In 2021, in response to the then ongoing COVID-19 Pandemic, Electricity Distribution and Natural Gas Distribution applied for 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 and nine months ended September 30, 2023, \$4 million (after-tax) and \$13 million (after-tax) was billed to customers.
- (5) In the three months ended September 30, 2023, Electricity Distribution refunded customers approximately \$17 million (after-tax) to settle deferral accounts related primarily to property taxes and direct assigned capital.

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 third quarter and first nine months of 2024 was \$5 million and \$16 million (after-tax) (2023 - \$5 million and \$15 million (after-tax)).

IMPAIRMENT

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 and it was determined that they no longer had any remaining value.

TRANSITION OF MANAGED IT SERVICES

In 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.

SEGMENTED RECONCILIATION OF ADJUSTED EARNINGS TO EARNINGS FOR THE PERIOD

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

	Three Months Ended September 30						
(\$ millions)							
2024	CU Inc.						
2023	Electricity			Natural Gas			Consolidated
	Electricity Distribution	Electricity Transmission	Consolidated Electricity	Natural Gas Distribution	Natural Gas Transmission	Consolidated Natural Gas	
Adjusted earnings (loss)	36	47	83	(25)	21	(4)	79
	38	45	83	(30)	21	(9)	74
Rate-regulated activities	(7)	(5)	(12)	9	(3)	6	(6)
	(8)	(41)	(49)	16	(1)	15	(34)
IT Common Matters decision	(1)	(2)	(3)	(3)	1	(2)	(5)
	(2)	(2)	(4)	(1)	—	(1)	(5)
Dividends on equity preferred shares of the Company	—	1	1	—	—	—	1
	—	1	1	—	—	—	1
Earnings (loss) for the period	28	41	69	(19)	19	—	69
	28	3	31	(15)	20	5	36

(\$ millions)

2024	CU Inc.						
	Electricity			Natural Gas			Consolidated
	Electricity Distribution	Electricity Transmission	Consolidated Electricity	Natural Gas Distribution	Natural Gas Transmission	Consolidated Natural Gas	
2023							
Adjusted earnings	104	143	247	73	67	140	387
	103	126	229	58	69	127	356
Restructuring	(8)	(5)	(13)	(16)	(3)	(19)	(32)
	—	—	—	—	—	—	—
ATCO Electric settlement decision	—	(8)	(8)	—	—	—	(8)
	—	—	—	—	—	—	—
Rate-regulated activities	(23)	(13)	(36)	34	(7)	27	(9)
	3	(36)	(33)	26	(6)	20	(13)
IT Common Matters decision	(5)	(4)	(9)	(6)	(1)	(7)	(16)
	(5)	(4)	(9)	(5)	(1)	(6)	(15)
Impairment	—	—	—	—	—	—	—
	—	(8)	(8)	—	—	—	(8)
Transition of managed IT services	—	—	—	—	—	—	—
	(1)	—	(1)	(1)	—	(1)	(2)
Dividends on equity preferred shares of the Company	1	2	3	1	1	2	5
	1	2	3	1	1	2	5
Other	—	—	—	—	—	—	—
	3	(3)	—	—	—	—	—
Earnings for the year	69	115	184	86	57	143	327
	104	77	181	79	63	142	323

OTHER FINANCIAL INFORMATION

INTERNAL CONTROL OVER FINANCIAL REPORTING

The certification of interim filings for the interim period ended September 30, 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 July 1, 2024 and ending on September 30, 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.

FUTURE CHANGES IN ACCOUNTING POLICIES

In May 2024, the International Accounting Standards Board issued amendments to IFRS 9 *Financial Instruments* to clarify the date of recognition and derecognition of financial assets and liabilities, with a new exception for financial liabilities settled using electronic forms of payment. The amendments are effective January 1, 2026. The Company is assessing the impact of the amendments to the 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, 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 growth; the anticipated size, specifications and incremental natural gas delivery capacity of the Yellowhead Mainline project, and the expected timing for commencement of construction and bringing the Yellowhead Mainline project on-stream; the expected impact of new legislation; the expected timing and impact of policy and regulatory decisions and new policy and 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 development and performance of technology and technological innovations and the ability to otherwise access and implement all technology necessary to achieve business objectives; 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; including uncertainty with respect to recent amendments to the *Competition Act* (Canada); 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, extreme weather conditions, explosions, blow-outs, equipment failures, transportation incidents, and other accidents or similar events; global pandemics; geopolitical tensions and wars; and other risk factors, many of which are beyond the control of the Company. Due to the interdependencies and correlation of these factors, the impact of any one material assumption or risk on a forward-looking statement cannot be determined with certainty. Readers are cautioned that the foregoing lists are not exhaustive. For additional information about the principal risks that the Company faces, see the "Business Risks and Risk Management" section in the Company's Management's Discussion and Analysis for the year ended December 31, 2023.

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

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

ADDITIONAL INFORMATION

Additional information relating to the Company, including the Company's audited consolidated financial statements for the year ended December 31, 2023, unaudited interim consolidated financial statements for the nine months ended September 30, 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 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.

ROE means return on equity.

APPENDIX 1: SUPPLEMENTAL NON-AUDITED FINANCIAL INFORMATION

Management uses numerous metrics and financial measures to evaluate our success and better identify possible challenges while capitalizing on emerging opportunities and continuing to deliver high-performing results. These measures support our ability to assess segment performance and allocate resources and allow for a more effective analysis of operating performance and trends.

From time to time, management may choose to provide supplemental non-audited financial information to help readers further understand key operational and financial events that may influence the results during a quarter.

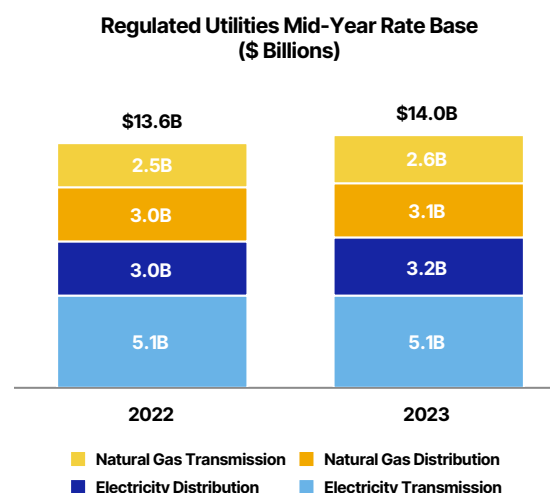
Mid-Year Rate Base ⁽¹⁾ and Regulated Utilities

The Company references rate base and mid-year rate base in our communications with share owners as growth in mid-year rate base is a leading indicator of a utility's earnings trend. Rate base is a measure specific to rate-regulated utilities and is used by the regulatory authorities in the jurisdictions in which a company operates, which in Alberta, is the Alberta Utilities Commission. As an industry specific term that is intrinsically tied to how our utilities operate, this section provides further information to help readers understand the unique concept.

The Company finances infrastructure investments, referred to as rate base, through a combination of equity and debt. Regulatory proceedings establish the approved rate of return on equity (ROE) and the equity ratio – the proportion of utility investments financed with equity, with the remainder financed by debt.

Both the return on equity and the equity ratio are determined based on the concept of “fair return,” which includes three main components: (1) comparability, (2) financial integrity, and (3) financial attractiveness. The costs of equity and debt are included in the amounts collected as revenues.

Mid-year rate base for a given year is calculated as the average of the opening rate base and the closing rate base. The graph to the right is showing the 2022 and 2023 mid-year rate base as presented in the 2023 MD&A for the year ended December 31, 2023 ⁽²⁾. In 2023, the mid-year rate base was \$14.0 billion, calculated as the sum of the 2023 rate base (\$14.1 billion) and the sum of the 2022 rate base (\$13.9 billion), divided by two.



The Company determines its customer rates by multiplying its rate base by the approved equity ratio and the approved rate of ROE, as well as recovering forecast costs and return of capital. As such, the Company's earnings will trend based on changes in the approved rate of return, the approved equity ratio, and the mid-year rate base.

The most comparable financial measures under International Financial Reporting Standards (IFRS) with respect to rate base are property, plant and equipment and intangible assets. The following table reconciles rate base and mid-year rate base to property, plant and equipment and intangible assets for 2022 and 2023.

⁽¹⁾ Mid-year rate base is a non-GAAP financial measure. 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 for a given year is calculated as the average of the opening rate base and the closing rate base. Mid-year rate base is not a standardized financial measure under the reporting framework used to prepare our financial statements and may not be comparable to similar financial measures disclosed by other issuers

⁽²⁾ There have been no changes to these numbers since they were presented in the 2023 MD&A for the year ended December 31, 2023 and are presented here to provide an accessible reference.

	Year Ended December 31	
<i>(\$ billions)</i>	2023	2022
Property, plant and equipment ⁽¹⁾	17.0	16.5
Intangible assets ⁽²⁾	0.8	0.8
	17.8	17.3
<i>Less:</i>		
Customer contributions ⁽³⁾	(2.0)	(1.9)
Removal costs collected from customer rates	(1.5)	(1.3)
Other	(0.2)	(0.2)
Rate Base ⁽⁴⁾	14.1	13.9
Mid-Year Rate Base ⁽⁴⁾	14.0	13.6

(1) Please refer to Note 9 - Property, Plant and Equipment section of the Company's consolidated financial statements for the year ended December 31, 2023.

(2) Please refer to Note 10 - Intangibles section of the Company's consolidated financial statements for the year ended December 31, 2023.

(3) Please refer to Note 13 - Customer Contributions section of the Company's consolidated financial statements for the year ended December 31, 2023.

(4) Non-GAAP financial measure.