Canadian Utilities Limited

Fourth Quarter 2024 Results Conference Call and Webcast Transcript

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Speakers:

Katie Patrick, Executive Vice President, Chief Financial & Investment Officer

Bob Myles, President and Chief Operating Officer

Colin Jackson, Senior Vice President, Financial Operations

Conference Call Participants:

Ben Pham BMO Capital Markets – Equity Research Analyst

Mark Jarvi CIBC Capital Markets – Equity Research Analyst

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

Maurice Choy RBC Capital Markets – Energy Infrastructure Research Analyst

Robert Hope Scotiabank – Managing Director, Equity Research

Operator:
Welcome to the Fourth Quarter 2024 Results Conference Call and Webcast for Canadian Utilities Limited.

As a reminder, all participants are in 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, then one on your telephone keypad. Should you need assistance during the conference call, you may signal an Operator by pressing star, 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 Fourth Quarter 2024 Conference Call.

On the line today, we have Katie Patrick, Executive Vice President, Chief Financial & Investment Officer, and Bob Myles, President and Chief Operating Officer.

Before we move into today's remarks, I would 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, and Piikani Nations; the Tsuut'ina Nations, 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 Métis Nation of Alberta, Districts 5 and 6. We honour and respect the diverse history, languages, ceremonies and culture of the Indigenous people who call these areas home.

Today, you'll hear from Katie, who will deliver opening comments on our financial results, along with an update for our Australian businesses, and from Bob, who will discuss key recent developments within our ATCO Energy Systems and ATCO EnPower businesses. 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 following the call. The materials can be found in the Investors 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 Adjusted EBITDA. 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 more 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 for joining us today.

2024 was a great year for Canadian Utilities and demonstrated our continued focus on operational execution. We achieved adjusted earnings of $647 million, up from $596 million in 2023. This translated to adjusted earnings per share of $2.38 for 2024.

ATCO Energy Systems delivered adjusted earnings of $632 million in 2024, an increase of 11 per cent, or $61 million, compared to last year. This year-over-year growth was primarily driven by a few factors, including rate base growth across our utilities, an increase in the allowable ROE from 8.5 per cent in 2023 to 9.28 per cent in 2024, and the benefit of the Efficiency Carryover Mechanism, which provided an additional 50 basis points of ROE in our distribution utilities.

As we look to 2025, there's some trends I would like to highlight that we expect will moderate earnings growth for ATCO Energy Systems. First, our allowable ROE of 9.28 per cent for 2024 has been reset to 8.97 per cent for 2025 across our Alberta Utilities. We expect this decision to have a year-over-year impact to earnings of approximately $15 million. Also, our incremental 50 basis points of ROE that our gas and electric distribution utilities benefited from due to strong efficiency gains under PBR2 concluded at the end of 2024. We expect this decision to have a year-over-year impact to earnings of approximately $11 million. Despite these headwinds, we expect to have rate base growth across our utilities, and remain committed to pursuing efficiencies throughout our business, which will continue to translate to high-quality earnings for 2025, and beyond.

Moving to ATCO EnPower, we delivered adjusted EBITDA in 2024 of $146 million, up $14 million from last year, and adjusted earnings of $44 million.

Within our Electricity Generation business, we reported adjusted EBITDA of $75 million, an increase of $2 million over last year, and adjusted earnings of $6 million. The year-over-year increase in adjusted EBITDA was a result of increased generation of approximately 12 per cent, or 104,000 megawatt hours, and a received settlement related to lost generation in 2023, covered under warrantees on our generation assets. Growth was partially offset, as Alberta saw a significant decrease in merchant power prices and capture prices for both solar and wind assets, resulting in our lower average realized price of $75 per megawatt in 2024, compared to $95 per megawatt in 2023. Given our overall contracting strategy, our contracted sales volumes increased from 41 per cent in 2023 to 73 per cent in 2024, to reduce volatilities and stabilize future earnings and cash flow.

Within our Storage and Industrial Water business, we delivered a strong year, with adjusted EBITDA of $71 million and adjusted earnings of $38 million, up $7 million from last year. Earnings growth in this segment was driven by strong seasonal spreads and the high demand for natural gas and liquid storage. As we look to 2025, we expect Storage and Industrial Water to have a similar earnings profile, compared to 2024. This is driven by our success in securing several fixed and long-term contracts that provide line of sight to earnings next year.

ATCO Australia delivered adjusted earnings of $48 million in 2024. This fell by $12 million, compared to 2023. As we discussed throughout 2024, lower adjusted earnings are due to the impact of inflation indexing on rate base in ATCO Gas Australia. In 2023, Australian inflation indexing reflected a full year inflation assumption of 4 per cent, while inflation moderated to 2.6 per cent for 2024. As a rule of thumb, a 10-basis-point change to inflation has an impact to earnings of approximately $1.2 million.

A positive year-over-year result in our corporate line reflects a strong focus on finding efficiencies within our business and strong returns on our short-term investments, which reduced overall financing costs.

Looking at Canadian Utilities as a whole, cash flow from operations was $1.9 billion in 2024, up 8 per cent from the prior year. This growth supported our operations, capital program and normal course financial commitments.

With that, I will now turn the call over to Bob, who will discuss key recent developments within our ATCO Energy Systems and ATCO EnPower businesses.

Bob Myles:

Thank you, Katie, and good morning, everyone.

As Katie alluded to earlier, we had a strong 2024. As I step into my new role with oversight across Canadian Utilities, a key focus area of mine will be driving growth across our businesses.

In 2024, we invested $1.4 billion in our utilities within ATCO Energy Systems. This ongoing utility investment ensures the continued generation of stable earnings and reliable cash flows from our utility businesses and drives overall rate base growth. As we look to 2025, and beyond, we see a macro backdrop in Alberta that continues to be robust, and a number of positive trends that we expect will underpin long-term growth for ATCO Energy Systems.

In Alberta, we continue to see significant population and related housing growth, along with increasing industrial investment. With this continued growth and economic expansion, a reliable and resilient energy system is critical for our province. Alongside these economic drivers, we continue to see a growing need to invest in our system to ensure ongoing reliability and safety as the system adapts to climate-related events and the transitioning of the energy supply mix.

Collectively, these factors also support an expectation for rate base growth to increase in the coming years, and for there to be opportunities for us to invest within our existing footprint. Given the strong trends we're seeing in our core Alberta market, we expect to invest $5.8 billion within our Canadian regulated utilities over the next three years, and for this to drive an average annual rate base growth of 5.4 per cent.

One of the projects that enables Alberta prosperity and drives our higher rate base growth expectations is our Yellowhead Mainline. This project is expected to deliver 1.1 billion cubic feet per 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 2024, we were pleased to announce the filing of our first regulatory application for this project, which included a total project cost estimate of $2.8 billion. Given Yellowhead is located entirely within Alberta, this project is provincially regulated and subject to approvals solely within Alberta.

This first application, known as the Needs Application, was filed in September with the Alberta Utilities Commission. The proceeding schedule has not yet been finalized, but we expect to receive an approval for this initial application in Q2 2025, which will enable us to make commitments on long-lead orders. The next major regulatory process, known as the Facility Application, will establish the final route, amongst other elements of the project. We expect to be in a position to file that application in Q3 2025, and obtain approvals that enable construction to commence in mid-2026, to deliver a Q4 2027 in-service date.

In our Electric Transmission segment, a key project we continue to advance is our Central East Transfer-Out, referred to as CETO Project. This approximately $280 million project was assigned by the Alberta Electric System Operator, or AESO, and will bring additional renewable energy from the eastern part of Alberta to the load centres. Once in service in mid-2026, this new 85-kilomtre electric transmission line will help strengthen the reliability of the provincial electrical grid.

Gas and electric transmission lines, like Yellowhead and CETO, are crucial initial investments to ensure a reliable and resilient energy system in Alberta. We believe our province will require additional investment in both electric and natural gas transmission infrastructure.

Regarding this future electric infrastructure, we were pleased to see that the recently released long-term plan from the AESO highlight a substantial investment in ATCO's service territory in categories of load- and intertie-driven projects. We look forward to continuing to work with the AESO, the government and other industry participants to identify, develop and build the best overall solutions.

Moving to our ATCO EnPower business, there are a number of key projects and opportunities we continue to progress.

First, I want to touch on our Heartland Hydrogen Hub Project and the achievements we made throughout 2024, and our key priorities for 2025.

In 2024, we were pleased to announce our partnership with Linde Canada, who will be both an operator and an equity partner in this project. Our partnership with Linde provides the quickest path to reach final investment decision, as they bring expertise from existing projects around the world, including nearby ATCO site in the Alberta Industrial Heartland, improving the overall process, cost and timing of this project.

For the export part of the project, we also added two additional partners in 2024, to advance the development of this project and provide access into the Asian markets. ATCO EnPower and Linde, alongside these two additional parties, will continue to advance the important policy and regulation development in Canada for hydrogen export and identify off-take markets where we believe our hydrogen derivative products can be competitive.

Looking ahead, we continue to work with the federal and provincial governments to establish policy and framework that facilitate investment in the Canadian hydrogen economy for both export and domestic opportunities. Greater certainty on the policy and frameworks, risk-sharing mechanisms, and funding for the next stage of development is needed before we can make our final investment decision on this project. We remain committed to advancing reconciliation and engaging with First Nations early in the development of this project. We continue to advance these discussions and the framework for their investment and participation in the project.

As I've stated before, off-take and buildout of the value chain remain a crucial part of de-risking the project, and we are continuing the process of securing off-take arrangements, either domestically or in the export market. I look forward to sharing further updates throughout 2025, as we progress towards our final investment decision.

Moving to our renewable generation, we continue to believe we have an attractive pipeline of wind, solar and battery energy storage opportunities in which we can invest over the long term. In 2024, we focused on optimizing existing operating assets, including successfully increasing the output from our Barlow and Deerfoot solar assets and from our Forty Mile wind facility via low-cost upgrades. The Government of Alberta's market announcement around both the Restructured Energy Market and changes to transmission regulations are forcing us to pause any development opportunities until more certainty is provided around what these changes will entail, and what the impact is going to be to the markets; specifically, renewables.

As we have communicated in the past, our next largest development opportunity is our 220-megawatt Forty Mile Solar Project, which was shovel-ready early in 2024, and is seeking an off-take or power purchase arrangement for at least 75 per cent of the project's generation. We believe the uncertainty caused by the contemplated changes by the Government of Alberta through the Restructured Energy Market and the transmission regulations is delaying interested parties in off-take, and will continue to do so until uncertainty is removed. As we review these impacts on our Renewables portfolio and position our business to be able to fully participate in the Alberta market, we may look to other forms of generation, including natural gas power generation, to round out our portfolio of assets.

A key theme that has been popular in our discussions across our businesses is data centres. We believe Alberta is well positioned to capture data center demand for a number of reasons, including: Alberta produces more than half of all natural gas in Canada; we have strong generation capabilities due to some of the best wind and solar resources in Canada, along with expectations that additional gas power generation will come online over the next decade; Alberta is Canada's only deregulated electricity and gas market allowing for bilateral purchase agreements; and we have significant existing water infrastructure and land that reduces time and costs associated with accessing these resources.

Beyond these advantages for Alberta, we believe the asset base and experience within ATCO positions us well to capture future opportunities within the data centre space.

As shown on this slide, our asset base spans across the entire data centre value chain, and is led by our experience in generation, with the capability and access to carbon sequestration, and our ability to solve transmission constraints, both gas and electric.

Our teams continue to have discussions with prospective developers and the Government of Alberta on how we can be part of the solution, including ways we can support the required increase in gas-fired generation with our transmission and distribution systems. Although these solutions will take time to develop, we believe we have the resources and capabilities to participate in the future buildout of data centres in Alberta.

With numerous opportunities ahead of us at Canadian Utilities, we continue to develop our financing strategy to support our growth objectives. We remain focused on creating synergies across our organization, seeking strategic partnerships, pursuing project-level debt financing, recycling capital, and also considering equity. This is an exciting period for our Company, and I look forward to sharing further updates on our strategic initiatives throughout 2025.

With that, I'll now pass the call back to Katie to briefly discuss our operational results in Australia.

Katie Patrick:

Thanks, Bob.

As a leading gas distributor in Western Australia, we deliver gas to approximately 815,000 households and businesses through our regulated gas network. In January of this year, Australian gas utility began operating under the Sixth Access Arrangement, known as AA6. As a reminder, the AA6 plan sets out a regulated rate of return, and is based on a detailed review of our demand forecast and expenditure plans for the five-year period of January 2025 through December 2029. The decision from the Economic Regulation Authority, ERA, set 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 decision reflects our own internal view that natural gas continues to be an important and valued source of energy for Western Australians, with total tariff revenues increasing $536 million over our AA5 decision. Our positive regulatory decision in Australia provides us certainty across tariffs and investments through 2029. When incorporating the changes from AA5 to AA6, along with other factors impacting our business, we expect this will increase adjusted earnings at ATCO Gas Australia by 8 per cent to 10 per cent in 2025.

Overall, Canadian Utilities delivered a strong 2024, and we remain focused on carrying this momentum into 2025, despite some headwinds we will face at our core utilities in Canada. Throughout 2025, our entire Canadian Utilities team will focus on efficiency, while delivering some very exciting, large projects that will reshape our Company and set us up for a new pace of growth.

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 coordinator for questions.

Operator:

Thank you. We'll now begin the question-and-answer session. To join the question queue, you may press star, then one on your telephone keypad. You'll hear a tone acknowledging your request. If you're using a speakerphone, please pick up your handset before pressing any keys. To withdraw your question, please press star, then two. Once again, anyone in the conference call who wishes to ask a question may press star, then one at this time.

The first question is from Robert Hope with Scotiabank. Please go ahead.

Robert Hope:

Good morning, everyone. I appreciate rolling forward the capital outlook to 2027. It does show a relatively sizeable uptick in spend in that year. When you take a look at kind of where your credit rating agency—or where your credit ratings are, your financial metrics, how are you thinking about funding this step-up in capex in 2027, and beyond?

Katie Patrick:

Yes, thanks, Robert, a very good question. I think, as we've said in the past, in the medium term, the short to medium term here, we don't foresee the need for external equity to fund some of our growth. As we look out, we have a very strong credit rating, we're above many of our peers in terms of our A- rating at Canadian Utilities, so I think we certainly have some opportunity for some additional funding to come from leverage to fund some of that growth. But, certainly, beyond that, the magnitude of the spend will require us to consider forms of equity that would make the most sense, and we're going through that process to determine the best form of equity that maximizes shareholder value to fund that remaining portion that we'll need for the spend, largely associated with the Yellowhead Pipeline.

Robert Hope:

All right, appreciate that. Then, in the prepared remarks, you noted that some regulatory uncertainty related to the power market in Alberta has delayed some of the projects there. When we take a look at the carbon and hydrogen projects, though, we are seeing quite a bit of political uncertainty on the federal level, and even on the provincial level, in terms of carbon abatement economics. So, can you maybe walk us through kind of what the key levers are that you're seeing there, or the key challenges, to move those projects forward during this time?

Bob Myles:

Hi, Robert. Bob here. Yes, we also share your views around the uncertainty, both federally and provincially. I think we really need to get some comfort around that before we make any significant decisions, as I've indicated, not just on the renewables side, but also in the hydrogen ammonia space, as well. So, we really want to see where the next six months go with regards to the political environment.

Robert Hope:

All right, great. Thank you.

Operator:

The next question is from Maurice Choy with RBC Capital Markets. Please go ahead.

Maurice Choy:

Thanks, and good morning, everyone. I just wanted to come back to the elevated rate base CAGR of 5.4 per cent. I believe last year, the long-term view was for the CAGR to be anywhere around the 4 per cent to 5 per cent range. Can you speak to whether or not that range still applies, or are there any secular trends, such as the data centres that you just mentioned, emerging to cause you to think that this long-term rate has risen from 4 per cent to 5 per cent?

Katie Patrick:

Thanks, Maurice. We didn't update sort of the long-term trajectory that we have. We updated the medium-term rate base growth to 5.4 per cent. I think there's still a number – as we all know, there's a number of uncertainties that remain in the world that could impact the long-term investment climate. So, as we rolled forward, we provided the 5.4 per cent, we have very strong comfort in the numbers that we provided there, and we haven't changed the long-term outlook. There's, obviously, some positive trends, that you noted, data centres, etc., but, as we all know, there's a number of things that we're mindful of and watching that could be negatives to the long-term overall growth in Canada, and so we're keeping our forecast to the medium term for the moment.

Maurice Choy:

Got it, and maybe just sticking on that same theme, Bob, you mentioned that the Company may look – or I guess relook – at natural gas generation. Is this borne out of wanting to capture growth related to the data centres, and, realistically, when do you think you might progress any such projects? Just a quick follow-up, when you say there's a pause in generation development, is that solely related to Alberta renewables, not in Alberta thermal, or Australia?

Bob Myles:

Yes, I think I got your last question, I think, Maurice, but just with regards to gas-fired generation, if we had chatted a couple of years ago, we were very focused on solely renewables, but we really see the world changing a little bit right now, more – I guess being more receptive to gas-fired. I do agree with you that a lot of the driver is data centres and behind-the-fence gas-fired generation, but I also do think in Alberta, just talking Alberta, there is a need for more generation and more 24/7 generation, and we really think that gas-fired generation will accomplish that, but we also think there's some opportunities for gas-fired generation in other jurisdictions, as well, and so we are considering that, for sure.

Your second question, I think, was around the deferral of some of our renewable projects, I think is what you said, and so, for us, that is really coming down to Alberta, and really getting comfort with where the Restructured Energy Market is going to go, and right now nobody, whether it's ourselves or whether it's off-takers, are comfortable making any commitments with all of this uncertainty.

Maurice Choy:

What other jurisdictions were you thinking about for gas-fired facilities, outside of Alberta?

Bob Myles:

We would look at Australia. Depending on how the political environment goes in Mexico, we do think the fundamentals in Mexico, from a power perspective, make some sense, as well. So, just the other jurisdictions in which we're operating right now, Maurice.

Maurice Choy:

Understood. Thank you very much, and congrats on your new role, Bob.

Bob Myles:

Thanks, Maurice.

Operator:

The next question is from Mark Jarvi with CIBC Capital Markets. Please go ahead.

Mark Jarvi:

Thanks, everyone. Congratulations, Bob, on the new role. The outline of the new capital plan says a minimum of $6.1 billion. Maybe just talk a little bit about potential upside to that, maybe quantify what it could be, where specifically in your businesses you'd see the upside.

Katie Patrick:

Yes, thanks, Mark. I can take that one. Yes, we put that language in there, because there is the capital spend that we have there, and that we have highlighted, relates to specifically approved capital that we have already under our regulated – our current regulations, as well as Yellowhead, which, as we know, is under the process of approval. What's not reflected that could be upside to that, is the – AESO released the new plan and there could be new investment beyond that, that is not necessarily reflected, as well as some of the potential upsides that we've talked about in terms of data centre load and the impacts to the utilities, and other things like that. So, there are some things that, obviously, we hope come to fruition, but we have not factored into that forecast that we have.

Mark Jarvi:

Do you think those could slot into that sort of 2027 timeframe, and any idea what that could be in terms of upside?

Katie Patrick:

Yes, no, we're not going to quantify that just yet, but, yes, I think where we're thinking that would slot into is 2027, and beyond, in terms of the ability to increase the forecast in those outer years. It wouldn't be necessarily imminent in the next couple of years.

Mark Jarvi:

Okay. Then, you've talked about the funding and having to consider all options. I'm just wondering, too, updated view just on the dividend growth. Obviously, earnings should be tracking higher as rate base grows higher. Would the view, though, be to keep the dividend growth rate at the same level just because of the capital investment needs required, or any sort of updated view in terms of do you think that becomes something you adjust over time?

Katie Patrick:

Yes, I think, as everyone knows, the dividend is a very important thing for us and our investors, and we continue to focus on that. Our payout ratio, as everyone can see, is in a place that's fine, it's not a significant burden, but it also is – we'd like to have a little bit more room for some of the growth we have upcoming. As we saw in January, we've increased our dividend 1 per cent, slightly below sort of our overall earnings growth, and we can see continuing to try and create a little room between the two, between the dividend and the earnings growth that we have going forward.

Mark Jarvi:

Okay, makes sense. Thanks, everyone.

Operator:

The next question is from Ben Pham with BMO. Please go ahead.

Ben Pham:

Hi, thanks. On the…

Colin Jackson:

Sorry, Ben, sorry to interrupt. There's quite a bit of feedback, and so we're not able to hear you. It looks like it's stopped now.

Operator:

It stopped because I muted his line. Mr. Pham, I'd like to ask you to dial back in and rejoin the queue.

We'll move on to the next caller, but before I do that, if you have a question, please press star, then one.

The next caller is Patrick Kenny with National Bank Financial. Please go ahead.

Patrick Kenny:

Thank you. Good morning, everybody. Maybe just on the hydrogen project, you know, we saw the BC government come out and recently say that they're supportive of fast-tracking some 18 infrastructure projects, but, unless I missed it, I didn't see anything specifically related to your Heartland Project as it relates to fast-tracking the de-risking profile of the logistics plan that you've talked about to get ammonia out to the West Coast and off to market. So, I'm just curious why you think your project was excluded from the list or what might be happening behind the scenes to help expedite that approvals process to still meet your previous mid-year FID target.

Bob Myles:

Patrick, it's interesting you say that, as the conversations we're having with provincial governments have been very supportive. Since the new government has come into power in British Columbia, they're more supportive than they ever have been on doing some of these larger projects, whether it be LNG or even ammonia by rail, so we actually are more encouraged today than we were in the past with regards to British Columbia. The bigger concern for us is what happens federally, and nobody in Asia is willing to commit to any kind of off-take, so the timing on the project is really going to be dictated by getting comfort with where we go on the federal perspective.

Patrick Kenny:

Okay, that makes sense. Then, switching over to EnPower, it sounds like a pretty big strategic pivot from looking at renewables to now gas-fired generation. You touched on it geographically, but can you just walk us through the spectrum of gas-fired assets that you'd be interested in, whether or not you would need a data centre customer contract, or otherwise, on the back end to justify building or buying a new gas-fired plant, or are you also considering, whether it's Alberta or elsewhere, pure merchant exposure, just given some of the new rules out there?

Bob Myles:

Patrick, I'd see gas-fired generation in three areas. One is firming up our existing renewables and the merchant side of our existing renewables, the second area is in behind-the-fence data centres, and the third area is we would consider gas-fired generation once we have more certainty around how the Restructured Energy Market works and whether there's an opportunity to build and justify the economics around gas-fired generation. We would not want to just right now build at 100 per cent merchant, we just would not feel comfortable doing that.

Patrick Kenny:

Okay, got it, thanks, and then, lastly, just down in Puerto Rico, I've been trying to follow the headlines here on the bankruptcy process, but any further colour on how LUMA Energy – any protections in terms of any revisions to the long-term service agreement? I know they announced a fairly large investment just recently. So, just an overall update on LUMA would be great.

Bob Myles:

Yes, Patrick, with regards to the bankruptcy, PREPA is still in bankruptcy. That was supposed to happen a few years ago, has not come out of bankruptcy as of yet, so we're continuing to operate under the interim agreement, and with regards to that, there are definitely some challenges. There's a new government that has come into place in Puerto Rico, as well as in Washington. We're trying to work our way through all of that right now, but as of today, our team is still very committed to being in Puerto Rico.

Patrick Kenny:

Okay, that's great, thank you. I'll leave it there.

Operator:

The next question is from Ben Pham with BMO. Please go ahead.

Ben Pham:

Hi, thanks. I hope this is a bit better. Maybe to start off on the data centres slide you had, it looks like a very broad initiative right now. How do you see the path ahead? Are you creating a team internally, bulk that up? Would you characterize yourself at early stages now, and do you anticipate maybe narrowing the targeted parts of the value chain?

Bob Myles:

Yes, we definitely have teams working on that, Ben, but when we look across Canadian Utilities, we really see ourselves well positioned with regards to our ability to build and operate gas-fired generation. As I've said, we have land, we have water, but we also – as you know, we operate electric transmission, gas transmission, and we feel any or all of the above are opportunities for us to participate in the data centres. What we really believe strongly in, though, is working with our customers and not just building on spec, we really want to build what our customers need. If our customers are looking for any one of those things I mentioned, we are interested in working with them. So, we are having a number of conversations. It's still early days, however.

Ben Pham:

Okay, got it. I know it's a small part of your business, electric generation, there's some core assets in there. Can you comment – actually, the $6 million earnings for the year, it's quite a bit down year-over-year. Then, related to that, if you can't develop the renewables pipeline maybe as quickly as you expected, does that suggest the deal might be actually dilutive versus your initial expectations?

Katie Patrick:

Thanks, Ben. Yes, I think, on the $6 million delta, as I said in my opening remarks, the change in the merchant pricing year-over-year is largely what contributed to that change, but also, which I mentioned, the contractedness of our portfolio has increased, 2023 versus 2024, so that is a positive, but we are exposed to a smaller degree, about 25 per cent of our portfolio, give or take, to the merchant pricing in Alberta, which has been quite a bit lower. So, that sort of explains the delta there.

In relation to the speed of the development pipeline, I don't think, overall, that our thesis on that investment has changed. We, as Bob's remarks alluded to, really want certainty in the market here, so we can continue to progress, and we remain hopeful that the Alberta government will get there soon, but I don't think, overall, that's changed our position on that investment and our belief in continuing to build it out.

Ben Pham:

All right, got it.

Bob Myles:

Ben, the only thing I'd add to that is in the capital forecast that Katie presented, we have actually staggered and pushed out some of the planned development of that pipeline, so we've already taken that into account in the capital forecast that Katie indicated.

Ben Pham:

Okay, that's great. Thank you very much.

Operator:

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

Colin Jackson:

Thank you, Operator.

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

Operator:

This concludes today's conference call, you may disconnect your lines. Thank you for participating, and have a pleasant day.