CANADIAN UTILITIES LIMITED
An ATCO Company

CANADIAN UTILITIES LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE SIX MONTHS ENDED JUNE 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 Canadian Utilities Limited (Canadian Utilities, our, we, us, or the Company) during the six months ended June 30, 2024.

This MD&A was prepared as of August 1, 2024, and should be read with the Company's unaudited interim consolidated financial statements for the six months ended June 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 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.

TABLE OF CONTENTS

Performance Overview ... 2
Business Unit Performance ... 5
  ATCO Energy Systems ... 5
  ATCO EnPower ... 9
  ATCO Australia ... 11
  Corporate & Other ... 12
Sustainability, Climate Change and Energy Transition ... 13
Other Expenses and Income ... 15
Liquidity and Capital Resources ... 16
Share Capital ... 20
Quarterly Information ... 21
Other Financial and Non-GAAP Measures ... 22
Reconciliation of Adjusted Earnings to Earnings Attributable to Equity Owners of the Company ... 24
Reconciliation of Capital Investment to Capital Expenditures ... 31
Other Financial Information ... 32
Glossary ... 35
Appendix 1 - Supplemental Non-Audited Information ... 36

PERFORMANCE OVERVIEW

FINANCIAL METRICS

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

	Three Months Ended June 30			Six Months Ended June 30		
($ millions, except per share data and outstanding shares)	**2024**	**2023**	**Change**	**2024**	**2023**	**Change**
Key Financial Metrics						
Revenues	**860**	879	(19)	**1,951**	2,010	(59)
Adjusted earnings (loss) (1)	**117**	100	17	**342**	317	25
ATCO Energy Systems (1)	**112**	98	14	**333**	305	28
ATCO EnPower (1)	**18**	8	10	**26**	23	3
ATCO Australia (1)	**17**	17	—	**28**	33	(5)
Corporate & Other (1)	**(30)**	(23)	(7)	**(45)**	(44)	(1)
Adjusted earnings ($ per share) (2)	**0.43**	0.37	0.06	**1.26**	1.18	0.08
Earnings attributable to equity owners of the Company	**62**	105	(43)	**304**	397	(93)
Earnings attributable to Class A and Class B shares	**43**	86	(43)	**266**	359	(93)
Earnings attributable to Class A and Class B shares ($ per share)	**0.16**	0.32	(0.16)	**0.98**	1.33	(0.35)
Diluted earnings attributable to Class A and Class B shares ($ per share)	**0.16**	0.32	(0.16)	**0.98**	1.33	(0.35)
Total assets	**23,201**	22,601	600	**23,201**	22,601	600
Long-term debt	**10,435**	10,179	256	**10,435**	10,179	256
Equity attributable to equity owners of the Company	**6,941**	6,949	(8)	**6,941**	6,949	(8)
Cash dividends declared per Class A and Class B share (cents per share)	**45.31**	44.86	0.45	**90.62**	89.72	0.90
Cash flows from operating activities	**471**	363	108	**973**	903	70
Capital investment (3)	**323**	336	(13)	**641**	1,332	(691)
Capital expenditures	**322**	332	(10)	**638**	636	2
Other Financial Metrics						
Weighted average Class A and Class B shares outstanding *(thousands)*:						
Basic	**271,358**	269,899	1,459	**271,198**	269,713	1,485
Diluted	**271,358**	270,202	1,156	**271,198**	270,116	1,082

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

(2) Non-GAAP ratio (as defined in NI 52-112). The most directly comparable measure reported in accordance with IFRS is Earnings Attributable to Class A and Class B shares ($ per share). See "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Equity Owners of the Company" in this MD&A.

(3) Non-GAAP financial measure (as defined in NI 52-112). The most directly comparable measure reported in accordance with IFRS is capital expenditures. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Capital Investment to Capital Expenditures" in this MD&A.

In the first quarter of 2024, the Company changed its operating segment structure to better align with current strategy and future growth objectives. This change involved creating a new operating segment, ATCO Australia, which includes natural gas distribution (ATCO Gas Australia) and electricity generation operations (ATCO Power Australia) based in Australia. Previously, ATCO Australia's natural gas distribution operations were reported in the ATCO Energy Systems operating segment and the electricity generation operations were reported in the ATCO EnPower operating segment. In addition, ATCO Australia's corporate office was included in Canadian Utilities Corporate & Other. Comparative amounts for prior periods have been reclassified to reflect this change in reportable operating segments.

REVENUES

Revenues in the second quarter of 2024 were $860 million, $19 million lower than the same period in 2023. Lower revenues were mainly due to decreased commodity prices in ATCOenergy, lower flow-through natural gas storage revenues and lower realized pricing on our assets with merchant exposure in ATCO EnPower, and lower flow-through revenues in Electricity Distribution. Lower revenues were partially offset by growth in rate base and an increase in return on equity (ROE) in ATCO Energy Systems.

ADJUSTED EARNINGS [1]

Our adjusted earnings in the second quarter of 2024 were $117 million or $0.43 per share, compared to $100 million or $0.37 per share for the same period in 2023.

Higher adjusted earnings in the second quarter of 2024 were mainly due to growth in rate base and an increase in ROE in ATCO Energy Systems' businesses, stronger seasonal spreads in natural gas storage services at ATCO EnPower, and higher interest income earned on Corporate investments. Higher adjusted earnings were partially offset by the impact of inflation indexing in ATCO Australia, and lower realized pricing on our assets with merchant exposure in ATCO EnPower.

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

EARNINGS ATTRIBUTABLE TO EQUITY OWNERS OF THE COMPANY

Earnings attributable to equity owners of the Company were $62 million in the second quarter of 2024, $43 million lower compared to the same period in 2023. Earnings attributable to equity owners of the Company include timing adjustments related to rate-regulated activities, dividends on equity preferred shares of the Company, unrealized gains or losses on mark-to-market forward and swap commodity contracts, one-time gains and losses, impairments, and items that are not in the normal course of business or a result of day-to-day operations. These items are not included in adjusted earnings.

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

Earnings attributable to equity owners of the Company are earnings attributable to Class A shares and Class B shares plus dividends on equity preferred shares of the Company. Additional information regarding earnings attributable to Class A shares and Class B shares is presented in Note 5 of the unaudited interim consolidated financial statements.

CASH FLOWS FROM OPERATING ACTIVITIES

Cash flows from operating activities were $471 million in the second quarter of 2024, $108 million higher than the same period in 2023 mainly due to timing of payables and increased customer contributions in the Regulated Utilities, partially offset by restructuring costs incurred in 2024.

COMMON SHARE DIVIDENDS

Dividends paid to Class A and Class B share owners in the second quarter of 2024 totaled $114 million, net of $9 million of dividends reinvested. On July 11, 2024, the Board of Directors declared a third quarter dividend of 45.31 cents per share or $1.81 on an annualized basis. We aim to grow dividends in-line with our sustainable earnings growth, which is linked to growth from our regulated and long-term contracted investments.

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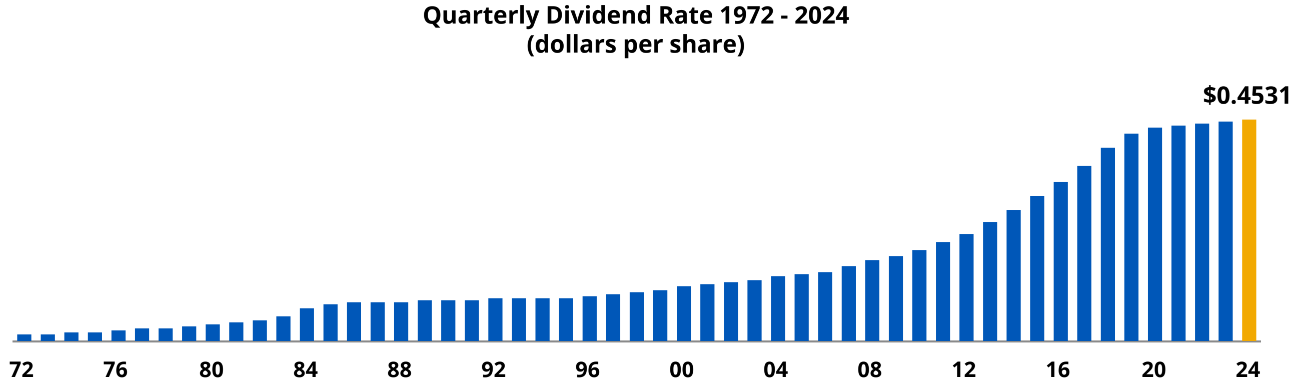
[1] *Total of segments measure. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Equity Owners of the Company" in this MD&A.*



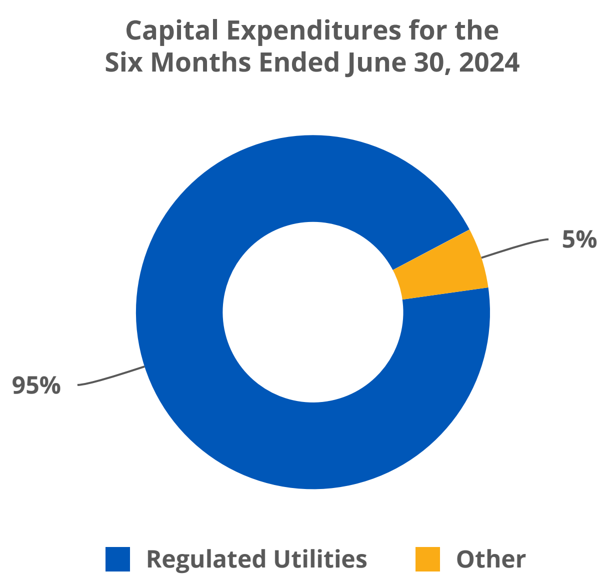
CAPITAL INVESTMENT [1] AND CAPITAL EXPENDITURES

Capital investment is a non-GAAP financial measure defined as cash used for capital expenditures, business combinations, and cash used in the Company's share of capital expenditures in joint ventures. Total capital investment of $323 million in the second quarter of 2024 was $13 million lower compared to the same period in 2023 mainly due to decreased capital spending within the ATCO EnPower segment as the Barlow, Deerfoot and Empress Solar projects reached commercial operations throughout 2023, partly offset by increased spending related to ongoing system upgrades and growth projects for new customers in ATCO Energy Systems.

Total capital investment of $641 million in the first six months of 2024 was $691 million lower compared to the same period in 2023 mainly due the acquisition of the renewable energy portfolio in January 2023.

Capital expenditures, a GAAP measure reported in accordance with IFRS, include additions to property, plant and equipment and intangibles as well as interest capitalized during construction. Total capital expenditures of $322 million in the second quarter of 2024 were $10 million lower compared to the same period in 2023 mainly due to decreased capital spending in the ATCO EnPower segment as the Barlow, Deerfoot and Empress Solar projects reached commercial operations throughout 2023. Lower capital investments were partially offset by increased spending related to ongoing system upgrades and growth projects for new customers in ATCO Energy Systems.

Total capital expenditures of $638 million in the first six months of 2024 were comparable to the same period in 2023.



Capital expenditures in the Regulated Utilities accounted for 95 per cent of the total in the first six months of 2024. The remaining 5 per cent was primarily related to capital spending within ATCO EnPower, largely related to the Atlas Carbon Storage Hub project and sustaining capital.

[1] *Non-GAAP financial measure. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Capital Investment to Capital Expenditures" in this MD&A.*

BUSINESS UNIT PERFORMANCE

REVENUES

ATCO Energy Systems revenues of $703 million and $1,590 million in the second quarter and first six months of 2024 were $24 million and $26 million higher than the same periods in 2023. Revenues were positively impacted by growth in the Alberta regulated rate base and an increase in return on equity following the 2023 Alberta Utilities Commission (AUC) decision which set the 2024 ROE at 9.28 per cent, partially offset by lower flow-through revenue in Electricity Distribution.

ADJUSTED EARNINGS

	Three Months Ended June 30			Six Months Ended June 30		
($ millions)	**2024**	**2023**	**Change**	**2024**	**2023**	**Change**
Electricity						
Electricity Distribution [1]	**26**	28	(2)	**67**	66	1
Electricity Transmission [1]	**50**	37	13	**96**	81	15
International Electricity Operations [1]	**13**	10	3	**26**	22	4
Total Electricity [1]	**89**	75	14	**189**	169	20
Natural Gas						
Natural Gas Distribution [1]	**(1)**	—	(1)	**98**	88	10
Natural Gas Transmission [1]	**24**	23	1	**46**	48	(2)
Total Natural Gas [1]	**23**	23	—	**144**	136	8
Total ATCO Energy Systems [2]	**112**	98	14	**333**	305	28

(1) Non-GAAP financial measures. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Equity Owners of the Company" in this MD&A.

(2) Total of segments measure. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Equity Owners of the Company" in this MD&A.

ATCO Energy Systems adjusted earnings of $112 million and $333 million in the second quarter and first six months of 2024 were $14 million and $28 million higher than the same periods in 2023 mainly due to growth in rate base and an increase in ROE, 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, and lower operating costs in International Electricity Operations. Higher earnings were partially offset by Natural Gas Transmission's 2024-2025 General Rate Application which included cost efficiencies implemented in prior periods that are being passed on to customers.

Detailed information about the activities and financial results of the ATCO Energy Systems 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 $26 million in the second quarter of 2024 were $2 million lower than the same period in 2023 mainly due to the timing of operating costs, partially offset by growth in rate base and an increase in ROE.

Electricity Distribution adjusted earnings of $67 million in the first six months of 2024 were $1 million higher than 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 $50 million and $96 million in the second quarter and first six months of 2024 were $13 million and $15 million higher than the same periods in 2023 mainly due to growth in rate base, an increase in ROE, and the 2023 decision received from the AUC on the 2018-2021 Deferral Application decision which denied recovery of forgone return on rate base related to certain cancelled projects.

International Electricity Operations

International Electricity Operations includes a 50 per cent ownership in LUMA Energy, a company formed to transform, modernize, and operate Puerto Rico's 30,000-km electricity transmission and distribution system under an Operations and Maintenance Agreement with the Puerto Rico Public-Private Partnerships Authority and the Puerto Rico Electric Power Authority (PREPA).

LUMA Energy continues to operate under the terms of a Supplemental Agreement, which was extended on November 30, 2022, and will continue until such time that PREPA's bankruptcy is resolved. Following the resolution of PREPA's bankruptcy proceeding, LUMA Energy will transition to year one of the Operations and Maintenance Agreement.

International Electricity Operations adjusted earnings of $13 million and $26 million in the second quarter and first six months of 2024 were $3 million and $4 million higher compared to the same periods in 2023 mainly due to lower operating costs and higher management fees as a result of inflation adjustments.

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 second quarter of 2024 were $1 million lower than the same period in 2023 mainly due to the timing of operating costs.

Natural Gas Distribution adjusted earnings of $98 million in the first six months of 2024 were $10 million higher than the same period 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 $24 million in the second quarter of 2024 were $1 million higher than the same period in 2023 mainly due to the timing of operating costs.

Natural Gas Transmission adjusted earnings of $46 million in the first six 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.

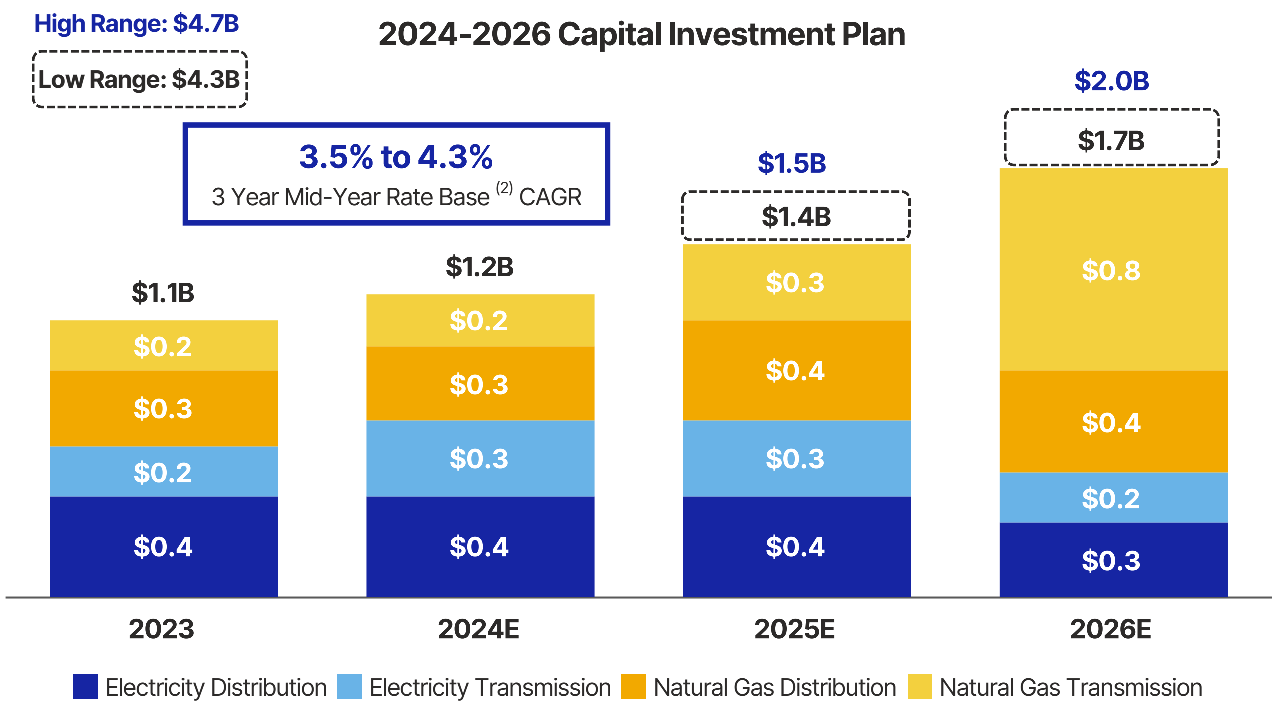
ATCO ENERGY SYSTEMS RECENT DEVELOPMENTS

Yellowhead Mainline Project

On May 8, 2024, Canadian Utilities announced its largest ever energy infrastructure project, the Yellowhead Mainline, with the projected investment to exceed $2 billion. The project is expected to build approximately 200 kilometres of high-pressure natural gas pipeline and related control and compression facilities that will run from Peers, Alberta, to the northeast Edmonton area and have the capability to deliver about 1,000 terajoules (or 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.

ATCO Energy Systems Future Capital Investment [1]

With the recent announcement of the Yellowhead project, and creation of the ATCO Australia operating segment in the first quarter of 2024, the capital investment guidance provided in the "Canadian Utilities' Strategies" section of the Company's MD&A for the year ended December 31, 2023 has been updated. The three year capital investment plan for ATCO Energy Systems now includes $4.3 to $4.7 billion of planned capital investment as outlined in the graph below. These investments will serve the evolving needs of our customers and support population and business growth, system reliability and safety, climate resiliency and adaptation, decarbonization, and technology to further improve operating efficiencies.



As approved in regulated applications, mid-year rate base [2] is ATCO Energy Systems' total net capital investment less depreciation. Growth in mid-year rate base is a leading indicator of a utility's earnings trend, depending on changes in the equity ratio of the mid-year rate base and the rate of return on common equity. The updated three year plan includes an expected rate base compound annual growth rate (CAGR) of 3.5 per cent to 4.3 per cent, while maintaining the longer-term outlook of 4 per cent to 5 per cent.

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(1) *Non-GAAP financial measure. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Capital Investment to Capital Expenditures" in this MD&A.*

(2) *Mid-year rate base is a non-GAAP financial measure and mid-year rate base (CAGR) is a non-GAAP ratio (each as defined in NI 52-112). Mid-year rate base and mid-year rate base (CAGR) are not standardized financial measures under the reporting framework used to prepare the Company's financial statements and may not be comparable to similar financial measures disclosed by other issuers. See "Other Financial and Non-GAAP Measures" in this MD&A.*

ATCO ENERGY SYSTEMS REGULATORY DEVELOPMENTS

Common Matters

Second Generation Performance Based Regulation (PBR) Re-opener

In June 2023, the AUC initiated a proceeding for Electricity Distribution and Natural Gas Distribution as the re-opener clause was triggered by both utilities in 2022. On May 22, 2024, the AUC issued its decision and will advance to the second phase.

The Company filed a Review & Variance of the decision and Permission to Appeal with the Alberta Court of Appeal. Based on the positions advanced in these submissions, we do not anticipate any impact to earnings as a result of this proceeding.

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, which relate to disclosure requirements for two independent matters included in applications filed in 2015 and 2019, for projects constructed between 2012 and 2015, were identified following an extensive internal investigation supported by independent third parties. Customer billing was not impacted by these matters.

The settlement agreement includes an administrative penalty of $3 million, and a refund to customers through a billing adjustment to the Alberta Electric System Operator (AESO) of $4 million. The AUC is expected to release its decision in the fourth quarter of 2024.

ATCO EnPower

REVENUES

ATCO EnPower revenues of $69 million in the second quarter of 2024 were $3 million higher compared to the same period in 2023 due to stronger seasonal spreads in natural gas storage services.

ATCO EnPower revenues of $160 million in the first six months of 2024 were $32 million lower compared to the same period in 2023 mainly due to lower flow-through natural gas revenues, and lower realized pricing on assets with merchant exposure. Lower revenues were partially offset by stronger seasonal spreads in natural gas storage services.

ADJUSTED EARNINGS

	Three Months Ended June 30			Six Months Ended June 30		
($ millions)	**2024**	**2023**	**Change**	**2024**	**2023**	**Change**
Electricity Generation (1)	**8**	3	5	**6**	10	(4)
Storage & Industrial Water (1)	**10**	5	5	**20**	13	7
Total ATCO EnPower (2)	**18**	8	10	**26**	23	3

(1) *Non-GAAP financial measures. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Equity Owners of the Company" in this MD&A.*

(2) *Total of segments measure. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Equity Owners of the Company" in this MD&A.*

ATCO EnPower adjusted earnings of $18 million and $26 million in the second quarter and first six months of 2024 were $10 million and $3 million higher than the same periods in 2023 mainly due to recognizing compensation related to turbine availability guarantees at the Forty Mile wind facility, and stronger seasonal spreads in natural gas storage services, partially offset by lower realized pricing at the renewable facilities.

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

Electricity Generation

Non-regulated electricity activities include the supply of electricity from solar, wind, hydroelectric, and distributed generation facilities in Canada, Mexico, and Chile.

Electricity Generation adjusted earnings of $8 million in the second quarter of 2024 were $5 million higher than the same period in 2023 mainly due to recognizing compensation related to turbine availability guarantees at the Forty Mile wind facility.

Electricity Generation adjusted earnings of $6 million in the first six months of 2024 were $4 million lower than the same period in 2023 mainly due to lower realized pricing at the renewable facilities, partially offset by compensation recognized relating to turbine availability guarantees at the Forty Mile wind facility.

The following table compares ATCO EnPower's renewable portfolio performance in Canada for the second quarter and first six months of 2024 and 2023.

	Three Months Ended June 30			Six Months Ended June 30		
	2024	2023	Change	2024	2023	Change
Capacity Share [(1)] *(MW)*	**359**	283	76	**359**	283	76
Average Availability (%)	**91**	94	(3)	**89**	93	(4)
Generation (MWh)	**255,834**	205,754	50,080	**476,831**	413,274	63,557
Wind	**185,683**	169,591	16,092	**377,858**	372,482	5,376
Solar [(2)]	**53,450**	8,503	44,947	**82,239**	8,503	73,736
Hydroelectric	**16,701**	27,660	(10,959)	**16,734**	32,289	(15,555)
% Merchant	**27**	87	(60)	**25**	85	(60)
% PPA	**73**	13	60	**75**	15	60
Average Realized Price *($)*	**73**	100	(27)	**78**	103	(25)

(1) Capacity share represents the percentage of nameplate capacity owned by ATCO EnPower, except in respect of the Deerfoot and Barlow solar facilities which are represented at 100 per cent because they are held by a controlled subsidiary.

(2) Solar operations partially commenced in Q2 2023, with full commencement of operations in Q4 2023.

Total generation from the renewable portfolio increased after commercial operation of the Barlow, Deerfoot and Empress solar assets was achieved in the second half of 2023, partially offset by lower hydroelectric generation. Our hydroelectric facility in Southern Alberta was impacted by lower reservoir and river flow levels, which are at a thirty-year low for this time of year due to drought conditions. In the first quarter of 2024, the Alberta wind fleet capacity has been as much as five to fifteen per cent below the 5-year daily moving average, which saw recovery in the second quarter of 2024.

The average realized price related to the renewable portfolio decreased from an average of $100 per MWh and $103 per MWh in the second quarter and first six months of 2023 to an average of $73 per MWh and $78 per MWh in the second quarter and first six months of 2024. Merchant generation decreased as we increased the percentage of contracted generation in 2023 in response to expected lower merchant pricing and as we advanced project financings on certain assets.

Storage & Industrial Water

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

Storage & Industrial Water adjusted earnings of $10 million and $20 million in the second quarter and first six months of 2024 were $5 million and $7 million higher compared to the same periods in 2023 mainly due to stronger seasonal spreads in natural gas storage services.

ATCO ENPOWER RECENT DEVELOPMENTS

Atlas Carbon Sequestration

On June 26, 2024, ATCO EnPower, in partnership with Shell Canada Limited, announced that a Final Investment Decision had been made to proceed with the first phase of the Atlas Carbon Storage Hub. The first phase of the project is expected to be operational in late 2028, anchored by CO2 volumes from Shell's Polaris carbon capture project. The multi-phase, open-access carbon storage hub is a major milestone in ATCO's commitment to advancing products and services which may contribute positively to society's goal of reducing emissions, and is the first step in ATCO EnPower's work to create a full value chain for hydrogen development – from production and carbon abatement to transport and export. The Atlas Carbon Storage Hub is integral to ATCO's long-term strategy and sustainability aspirations. The facility will be located east of Edmonton and able to store emissions from the Alberta Industrial Heartland region. Future development of the hub, which is subject to future investment decisions, will further increase ATCO EnPower's ability to deliver cost-effective products and services aligned with our customer's needs and society's goals.

ATCO Australia

REVENUES

ATCO Australia revenues of $62 million and $115 million in the second quarter and first six months of 2024 were $7 million higher than the same periods in 2023 mainly due to increased rates in ATCO Gas Australia, and revenues from Early Contract works under the South Australia Hydrogen Jobs Plan project in ATCO Power Australia.

ADJUSTED EARNINGS

	Three Months Ended June 30			Six Months Ended June 30		
($ millions)	**2024**	**2023**	**Change**	**2024**	**2023**	**Change**
ATCO Gas Australia [1]	**14**	17	(3)	**24**	35	(11)
ATCO Power Australia [1]	**3**	—	3	**4**	(2)	6
Total ATCO Australia [2]	**17**	17	—	**28**	33	(5)

(1) Non-GAAP financial measures. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Equity Owners of the Company" in this MD&A.

(2) Total of segments measure. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Equity Owners of the Company" in this MD&A.

ATCO Australia adjusted earnings of $17 million in the second quarter of 2024 were comparable to the same period in 2023.

ATCO Australia adjusted earnings of $28 million in the first six months of 2024 were $5 million lower than the same period in 2023 mainly due to the impact of inflation indexing on rate base in ATCO Gas Australia, partially offset by a one-time gain on sale of shares in a strategic investment, and higher rates in ATCO Gas Australia.

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

ATCO Gas Australia

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

ATCO Gas Australia adjusted earnings of $14 million and $24 million in the second quarter and first six months of 2024 were $3 million and $11 million lower than the same periods in 2023 mainly due to the impact of inflation indexing on rate base and higher operating costs, partially offset by higher rates.

In the first and second quarters of 2023, Australia inflation indexing reflected a full year inflation assumption of 4 to 5 per cent. It is expected that inflation for 2024 will be 3 per cent.

ATCO Power Australia

ATCO Power Australia develops, builds, owns and operates energy and infrastructure assets, including the two natural gas fired generation plants: Karratha in the Pilbara region of Western Australia, and Osborne in Adelaide, South Australia.

ATCO Power Australia adjusted earnings of $3 million and $4 million in the second quarter and first six months of 2024 were $3 million and $6 million higher than the same periods in 2023 mainly due to a one-time gain on sale of shares in a strategic investment, lower operating costs, and engine repairs at the Karratha facility in 2023. Earnings were partially offset by 2024 project costs.

ATCO AUSTRALIA REGULATORY DEVELOPMENTS

Access Arrangement 6 (AA6)

ATCO Gas Australia submitted AA6 to the Economic Regulation Authority (ERA) on September 1, 2023 and ERA released a draft decision in April 2024. On June 10, 2024, ATCO Gas Australia submitted a revised plan and we expect to receive ERA's final decision in the fourth quarter of 2024.

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

REVENUES

Including intersegment eliminations, Corporate & Other revenues of $26 million and $86 million in the second quarter and first six months of 2024 were $53 million and $60 million lower compared to the same periods in 2023 mainly due to lower prices for retail electricity and natural gas partially offset by an increase in retail customers in ATCOenergy.

ADJUSTED EARNINGS

	Three Months Ended June 30			Six Months Ended June 30		
($ millions)	2024	2023	Change	2024	2023	Change
Corporate & Other [(1)]	**(30)**	(23)	(7)	**(45)**	(44)	(1)

(1) Total of segments measure. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Equity Owners of the Company" in this MD&A.

Including intersegment eliminations, Corporate & Other adjusted earnings in the second quarter and first six months of 2024 were $7 million and $1 million lower compared to the same periods in 2023 mainly due to the timing of certain expenditures.

RECENT DEVELOPMENTS

Sale of ATCO Energy Ltd.

On May 15, 2024, the Company entered into an agreement to sell its 100 per cent investment in ATCO Energy Ltd. (ATCOenergy), an Alberta-based company engaged in electricity and natural gas retail sales, and whole-home solutions, to ATCO Ltd. The transaction is expected to close during the third quarter of 2024. ATCOenergy is currently reported in the Corporate & Other segment.

SUSTAINABILITY, CLIMATE CHANGE AND ENERGY TRANSITION

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

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. These Acts implement certain income and indirect tax measures from the federal budget and certain measures from the fall economic statement. Below are some relevant highlights:

- Carbon Capture, Utilization, and Storage (CCUS) investment tax credit (ITC) – a refundable tax credit for qualified expenditures between 2022 and 2030 including a 60 percent credit for Direct Air Capture (DAC), a 50 per cent credit for capture other than DAC, and a 37.5 per cent credit for carbon transportation, storage, and use. Credit rates decrease by half from 2031 to 2040.

- Clean Technology ITC – a refundable tax credit for eligible property acquisitions of clean technology capital property, including certain equipment that generates or stores renewable energy. The ITC will refund 30 per cent of the cost of eligible property acquired between March 2023 and December 2033, and 15 per cent of the cost of eligible property acquired in 2034. The credit ceases January 2035.
- Clean Hydrogen ITC – a refundable tax credit for eligible investments in clean hydrogen production and property acquired and available for use after March 2023. The credit will be available at the rate of 15 per cent, 25 per cent or 40 per cent, depending on the assessed carbon intensity of the hydrogen produced. To claim the credit, the property must be available for use in Canada. The credit will be phased out by 50 per cent for property that becomes available for use in 2034, and will be fully phased out for property that becomes available for use after 2034.
- *Competition Act* (Canada) – a new prohibition against "greenwashing" (i.e., misleading claims about a company's environmental practices or the environmental benefits of a product) under the *Competition Act* (Canada) came into effect on June 20, 2024, and a new private right of action will come into effect on June 20, 2025. The amendments place 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 guidance from the Competition Bureau is expected before the private right of action comes into force in June 2025. We continue to assess and seek guidance on 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. We are still assessing any potential impacts.
- Indigenous Loan Guarantees – a $5 billion loan guarantee program to help unlock access to capital for Indigenous communities and help remove historical barriers to Indigenous equity investment in natural resources and energy projects.

Alberta Utilities Affordability Statutes Amendment Act

In April 2024, the Premier of Alberta announced changes to the Regulated Rate Option effective January 2025, including renaming it to the Rate of Last Resort (RoLR). The RoLR will be a fixed default rate for two years, with a 10 per cent rate adjustment cap at the end of each two-year period, along with risk margins added to the rate. Legislation to implement the changes was enacted in May 2024, with regulations and more implementation details to follow before fall of this year.

Alberta Market Power Mitigation Regulation and Supply Cushion Regulation

In June 2024, the AESO submitted an expedited filing for the proposed new and amended Independent System Operator (ISO) rules, designed to support the Market Power Mitigation Regulation and the Supply Cushion Regulation. These changes are effective July 2024, granting the AESO the authority to issue unit commitment directives.

Alberta Restructured Energy Market

In March 2024, the Minister of Affordability and Utilities directed the AESO to move forward with stakeholder engagement and detailed design for a Restructured Energy Market (REM) for the Alberta electricity grid with an implementation date in early 2025. While further design details are forthcoming, in July 2024, the Government of Alberta announced its decision on the REM technical design:

- Move forward with the introduction of a mandatory day-ahead market;
- Allow the price of energy to be determined by the strategic offers of market participants, while using market mitigation to limit the potential for excessive exercise of market power;
- Maintain a province-wide uniform price for electricity; and
- Maintain components of REM as outlined in the AESO’s Advice to the Minister in January 2024 including Security Constrained Economic Dispatch, shorter settlement intervals, review price floor and ceiling as well as co-optimization of energy and ancillary services.

Government of Alberta Transmission Planning and Independent System Operator Tariff Design

Subsequent to quarter end, in July 2024, the Government of Alberta announced changes to transmission planning and ISO tariff design. Going forward, the government has decided to move away from the current zero-congestion transmission planning standard to an optimally planned transmission planning standard, and allocate new transmission costs and all ancillary services costs based on cost causation principles. Further details of the transmission framework are expected.

OTHER EXPENSES AND INCOME

A financial summary of other consolidated expenses and income items for the second quarter and first six 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.

	Three Months Ended June 30			Six Months Ended June 30		
($ millions)	**2024**	**2023**	**Change**	**2024**	**2023**	**Change**
Operating costs	**506**	481	25	**1,018**	983	35
Depreciation, amortization and impairment	**178**	177	1	**354**	345	9
Earnings from investment in joint ventures	**16**	14	2	**35**	33	2
Net finance costs	**106**	101	5	**212**	198	14
Income tax expense	**21**	27	(6)	**92**	114	(22)

OPERATING COSTS

Operating costs, which are total costs and expenses less depreciation, amortization and impairment, increased by $25 million and $35 million in the second quarter and first six months of 2024 compared to the same periods in 2023. Higher operating costs were mainly due to restructuring costs, and lower unrealized and realized gains on derivative financial instruments in the first quarter in ATCOenergy. Increased costs were partially offset by compensation recognized relating to turbine availability guarantees at ATCO EnPower's Forty Mile wind facility, and lower prices for retail electricity in ATCOenergy.

DEPRECIATION, AMORTIZATION AND IMPAIRMENT

Depreciation, amortization and impairment increased by $1 million and $9 million in the second quarter and first six months of 2024 compared to the same periods in 2023 mainly due to ongoing investment in the Regulated Utilities, and the Barlow, Deerfoot and Empress Solar projects reaching commercial operations throughout 2023 in the ATCO EnPower business, partially offset 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.

EARNINGS FROM INVESTMENT IN JOINT VENTURES

Earnings from investment in joint ventures is mainly comprised of Canadian Utilities' ownership positions in electricity generation plants, Naka Power (rebranded name for Northland Utilities Enterprises Ltd.) electricity operations in the Northwest Territories, LUMA Energy electricity operations and maintenance in Puerto Rico, and the Strathcona Storage Limited Partnership, which operates hydrocarbon storage facilities at the ATCO Heartland Energy Centre near Fort Saskatchewan, Alberta.

Earnings from investment in joint ventures in the second quarter and first six months of 2024 were $2 million and $2 million higher than the same periods in 2023 mainly due to lower operating costs and higher management fees as a result of inflation adjustments at LUMA Energy.

NET FINANCE COSTS

Net finance costs increased by $5 million and $14 million in the second quarter and first six months of 2024 compared to the same periods in 2023 mainly due to higher interest expense on additional debt issued to fund ongoing capital investment in the Regulated Utilities, partially offset by higher interest income from cash investments.

INCOME TAX EXPENSE

Income taxes were lower by $6 million and $22 million in the second quarter and first six months of 2024 compared to the same periods in 2023 due to lower IFRS earnings before income taxes primarily driven by lower unrealized and realized gains on derivative financial instruments.

LIQUIDITY AND CAPITAL RESOURCES

Our financial position is supported by our diversified portfolio with a structured foundation of regulated and long-term contracted businesses. Our business strategies, funding of operations, and planned future growth are supported by maintaining strong investment grade credit ratings and access to capital markets at competitive rates. Primary sources of capital are cash flow from operations and capital markets. 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 Canadian Utilities, CU Inc. and ATCO Gas Australia Pty Ltd (ATCO Gas Australia) at June 30, 2024.

	DBRS	Fitch
Canadian Utilities		
Issuer	A	A-
Senior unsecured debt	A	A-
Commercial paper	R-1 (low)	F2
Preferred shares	PFD-2	BBB
CU Inc.		
Issuer	A (high)	A-
Senior unsecured debt	A (high)	A
Commercial paper	R-1 (low)	F2
Preferred shares	PFD-2 (high)	BBB+
S&P Global Ratings has assigned Canadian Utilities' subsidiary ATCO Gas Australia [1] a BBB+ issuer and senior unsecured debt credit rating with a stable outlook.		

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

LINES OF CREDIT

At June 30, 2024, Canadian Utilities and its subsidiaries had the following lines of credit.

($ millions)	Total	Used	Available
Long-term committed	**2,755**	1,080	1,675
Uncommitted	**650**	311	339
Total	**3,405**	1,391	2,014

Of the $3,405 million in total lines of credit, $650 million was in the form of uncommitted credit facilities with no set maturity date. The other $2,755 million in credit lines was committed with maturities between 2025 and 2027, and may be extended at the option of the lenders.

Of the $1,391 million in lines of credit used, $659 million was related to ATCO Gas Australia. Long-term committed credit lines are used to satisfy all of ATCO Gas Australia's term debt financing needs. The majority of the remaining usage is related to the funding of the renewable energy portfolio acquisition in ATCO EnPower and the issuance of letters of credit.

CONSOLIDATED CASH FLOW

At June 30, 2024, the Company's cash position was $(95) million. This represents a decrease in the second quarter and first six months of 2024 of $348 million compared to the same periods in 2023. Major movements are outlined in the following table:

	Three Months Ended June 30			Six Months Ended June 30		
($ millions)	**2024**	**2023**	**Change**	**2024**	**2023**	**Change**
Cash position, beginning of period	**9**	557	(548)	**207**	698	(491)
Cash from (used in):						
Operating activities	**471**	363	108	**973**	903	70
Investing activities	**(313)**	(401)	88	**(636)**	(1,533)	897
Financing activities	**(262)**	(267)	5	**(639)**	185	(824)
Foreign currency translation	**—**	1	(1)	**—**	—	—
Cash position, end of the period	**(95)**	253	(348)	**(95)**	253	(348)

The opening cash position of $9 million and $207 million in the second quarter and first six months of 2024 were $548 million and $491 million lower compared to the same periods in 2023 mainly due to the $190 million investment in marketable securities in February 2023, the funding of capital projects throughout 2023, and the timing of payables.

Operating Activities

Cash flows from operating activities were $471 million in the second quarter of 2024, $108 million higher than the same period in 2023 mainly due to timing of payables and increased customer contributions in the Regulated Utilities, partially offset by restructuring costs incurred in 2024.

Cash flows from operating activities were $973 million in the first six months of 2024, $70 million higher than the same period in 2023 mainly due to the timing of payables, partially offset by restructuring costs.

Investing Activities

Cash flows used in investing activities were $313 million in the second quarter of 2024, $88 million lower than the same period in 2023 mainly due to decreased capital spending in the ATCO EnPower segment as the Barlow, Deerfoot and Empress Solar projects reached commercial operations throughout 2023, the timing of settlement of accounts payable related to the 2023 acquisition of the renewable energy portfolio.

Cash flows used in investing activities were $636 million in the first six months of 2024, $897 million lower than the same period in 2023 mainly due to the 2023 acquisition of the renewable energy portfolio and the investments in marketable securities in 2023.

A reconciliation of capital investment to capital expenditures and information pertaining to marketable securities is summarized below.

Cash Used for Capital Investment[1] and Capital Expenditures

Capital investment and capital expenditures the second quarter and first six months of 2024 and 2023 are shown in the following table.

	Three Months Ended June 30			Six Months Ended June 30		
($ millions)	**2024**	**2023**	**Change**	**2024**	**2023**	**Change**
ATCO Energy Systems						
Electricity	**147**	149	(2)	**297**	294	3
Natural Gas	**136**	116	20	**267**	212	55
	283	265	18	**564**	506	58
ATCO EnPower	**15**	41	(26)	**29**	83	(54)
ATCO Australia	**22**	21	1	**38**	41	(3)
CU Corporate & Other	**2**	5	(3)	**7**	6	1
Canadian Utilities Total Capital Expenditures (1) (2)	**322**	332	(10)	**638**	636	2
Capital Expenditures in joint ventures						
ATCO Energy Systems						
Electricity	**—**	1	(1)	**1**	2	(1)
ATCO EnPower	**1**	3	(2)	**2**	3	(1)
Business Combination						
ATCO EnPower	**—**	—	—	**—**	691	(691)
Canadian Utilities Total Capital Investment (3)	**323**	336	(13)	**641**	1,332	(691)

(1) Includes $4 million and $7 million (2023 - $5 million and $11 million) of capitalized interest during construction for the second quarter and first six months of 2024 and additions to property, plant and equipment, and intangibles.

(2) Includes $39 million and $61 million for the second quarter and first six months of 2024 (2023 - $24 million and $80 million) of capital expenditures, mainly in ATCO Energy Systems, that were funded with the assistance of customer contributions and government grants.

(3) Non-GAAP financial measure. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Capital Investment to Capital Expenditures" in this MD&A.

Total capital investment of $323 million in the second quarter of 2024 was $13 million lower compared to the same period in 2023 mainly due to decreased capital spending within the ATCO EnPower segment as the Barlow, Deerfoot and Empress Solar projects reached commercial operations throughout 2023, partly offset by increased spending related to ongoing system upgrades and growth projects for new customers in ATCO Energy Systems.

Total capital investment of $641 million in the first six months of 2024 was $691 million lower compared to the same period in 2023 mainly due the acquisition of the renewable energy portfolio in January 2023.

Total capital expenditures of $322 million in the second quarter of 2024 were $10 million lower compared to the same period in 2023 mainly due to decreased capital spending in the ATCO EnPower segment as the Barlow, Deerfoot and Empress Solar projects reached commercial operations throughout 2023. Lower capital expenditures were partially offset by increased spending related to ongoing system upgrades and growth projects for new customers in ATCO Energy Systems.

Total capital expenditures of $638 million in the first six months of 2024 were comparable to the same period in 2023.

Marketable Securities

In February 2023, the Company invested excess cash of $190 million in a diversified portfolio of marketable securities, with the objective of delivering competitive returns and maintaining a high degree of liquidity. The Company's marketable securities are actively managed by an external investment manager with the majority of the investments being highly liquid and redeemable within seven business days.

[1] *Non-GAAP financial measure. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Capital Investment to Capital Expenditures" in this MD&A.*

Financing Activities

Cash flows used in financing activities were $262 million in the second quarter of 2024, $5 million lower than the same period in 2023 mainly due to lower repayments of long-term debt in 2023.

Cash flows used in financing activities were $639 million in the first six months of 2024, $824 million higher than the same period in 2023 mainly due to the 2023 financing related to the acquisition of the renewable energy portfolio in January 2023.

Information pertaining to financing activities is summarized below.

Debt Issuances

On June 27, 2024, ATCO Gas Australia refinanced its $350 million Australian dollars (equivalent of $318 million Canadian dollars) unsecured revolving credit facility (Tranche A) at Bank Bill Swap Benchmark Rate (BBSY) plus an applicable margin fee, extending the credit facility's maturity from August 4, 2024 to June 27, 2027. The available amount under the facility also increased by $50 million Australian dollars (equivalent of $45 million Canadian dollars) to $400 million Australian dollars (equivalent of $363 million Canadian dollars). The variable BBSY interest rate is hedged to December 31, 2024 with an interest rate swap agreement which fixes the interest rate at 1.97 per cent. Canadian Utilities expects to extend the interest rate swap agreement prior to its expiration.

Subsequent to quarter-end, on July 3, 2024, Canadian Utilities, through its wholly owned subsidiary, Achernar Limited Partnership, entered into a non-revolving term facility of $42 million with a bank lender. Proceeds from this issuance were used to repay existing indebtedness used to fund capital investment of our renewable portfolio. The loan amortizes over a period of 11.75 years to match the Empress Solar Power Purchase Agreement (PPA) term and is secured by the assets of the borrower. To mitigate the variable interest rate risk, the company entered into an interest rate swap agreement to fix the interest rate at 5.8589 per cent, including the applicable margin.

Dividends and Common Shares

We have increased our common share dividend each year since 1972, a 52-year track record. Dividends paid to Class A and Class B share owners totaled $114 million net of dividends reinvested in the second quarter of 2024.

On July 11, 2024, the Board of Directors declared a third quarter dividend of 45.31 cents per share. The payment of any dividend is at the discretion of the Board of Directors and depends on our financial condition and other factors.

Normal Course Issuer Bid (NCIB)

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

On September 7, 2023, we commenced an NCIB to purchase up to 2,018,434 outstanding Class A shares. The bid will expire on September 6, 2024. To date, no shares have been purchased.

Dividend Reinvestment Plan (DRIP)

In the second quarter of 2024, Canadian Utilities issued 294,127 Class A shares under the DRIP using re-invested dividends of $9 million.

In the first six months of 2024, Canadian Utilities issued 631,759 Class A shares under the DRIP using re-invested dividends of $19 million.

Subsequent to quarter end, on July 11, 2024, Canadian Utilities announced that its DRIP will be suspended, effective July 11, 2024.

Base Shelf Prospectus - Canadian Utilities

On September 14, 2023, Canadian Utilities filed a short-form base shelf prospectus that permits it to issue Class A non-voting shares, preferred shares and debt securities, over the 25-month life of the prospectus. As of July 31, 2024, no securities had been issued under the prospectus.

SHARE CAPITAL

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

At July 31, 2024, we had outstanding 204,960,487 Class A shares, 66,598,854 Class B shares, and options to purchase 2,404,550 Class A shares.

CLASS A NON-VOTING SHARES AND CLASS B COMMON SHARES

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

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

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

Of the 12,800,000 Class A shares authorized for grant of options under our stock option plan, 10,341,550 Class A shares were available for issuance at June 30, 2024. Options may be granted to officers and key employees of the Company and its subsidiaries at an exercise price equal to the weighted average of the trading price of the shares on the Toronto Stock Exchange for the five trading days immediately preceding the grant date. The vesting provisions and exercise period (which cannot exceed 10 years) are determined at the time of grant.

QUARTERLY INFORMATION

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

($ millions, except for per share data)	Q3 2023	Q4 2023	Q1 2024	Q2 2024
Revenues	812	974	1,091	**860**
Earnings attributable to equity owners of the Company	125	185	242	**62**
Earnings attributable to Class A and B shares	105	166	223	**43**
Earnings per Class A and Class B share *($)*	0.39	0.61	0.82	**0.16**
Diluted earnings per Class A and Class B share *($)*	0.39	0.61	0.82	**0.16**
Adjusted earnings per Class A and Class B share *($)* (1)	0.32	0.71	0.83	**0.43**
Adjusted earnings (loss) (2)				
ATCO Energy Systems (2)	88	179	221	**112**
ATCO EnPower (2)	8	14	8	**18**
ATCO Australia (2)	17	9	11	**17**
Corporate & Other and Intersegment Eliminations (2)	(26)	(10)	(15)	**(30)**
Total adjusted earnings (2)	87	192	225	**117**

($ millions, except for per share data)	Q3 2022	Q4 2022	Q1 2023	Q2 2023
Revenues	898	1,107	1,131	879
Earnings attributable to equity owners of the Company	109	145	292	105
Earnings attributable to Class A and Class B shares	89	125	273	86
Earnings per Class A and Class B share *($)*	0.33	0.46	1.01	0.32
Diluted earnings per Class A and Class B share *($)*	0.32	0.46	1.01	0.32
Adjusted earnings per Class A and Class B share *($)* (1)	0.45	0.66	0.81	0.37
Adjusted earnings (loss) (2)				
ATCO Energy Systems (2)	105	164	207	98
ATCO EnPower (2)	17	12	15	8
ATCO Australia (2)	25	16	16	17
Corporate & Other and Intersegment Eliminations (2)	(27)	(12)	(21)	(23)
Total adjusted earnings (2)	120	180	217	100

(1) Non-GAAP ratio. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Equity Owners of the Company" in this MD&A.

(2) Total of segments measures. See "Other Financial and Non-GAAP Measures" and "Reconciliation of Adjusted Earnings to Earnings Attributable to Equity Owners of the Company" 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 third quarter of 2023 were lower compared to the same period in 2022 mainly due to cost efficiencies generated by Electricity Distribution and Natural Gas Distribution over the second generation Performance Based Regulation (PBR) term being passed onto customers under the 2023 Cost of Service (COS) rebasing framework, and the impact of inflation indexing on rate base in 2022 in ATCO Australia.

Adjusted earnings in the fourth quarter of 2023 were higher than the same period in 2022 mainly due to additional earnings from the Forty Mile and Adelaide wind assets acquired in 2023 and earnings from the solar assets energized in 2023 in ATCO EnPower, growth in rate base and new cost efficiencies realized in 2023 in Electricity Distribution and Natural Gas Distribution, and lower operating costs in International Electricity Operations.

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 in ATCO Energy Systems' businesses. Higher adjusted earnings were partially offset by lower realized pricing at the Forty Mile wind facility at ATCO EnPower, and the impact of inflation indexing in ATCO Australia.

Adjusted earnings in the second quarter of 2024 were higher than the same period in 2023 mainly due to growth in rate base and an increase in ROE in ATCO Energy Systems' businesses, stronger seasonal spreads in natural gas storage services at ATCO EnPower, and higher interest income earned on Corporate investments. Higher adjusted earnings were partially offset by the impact of inflation indexing in ATCO Australia, and lower realized pricing on our assets with merchant exposure in ATCO EnPower.

EARNINGS ATTRIBUTABLE TO EQUITY OWNERS OF THE COMPANY

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

- In the fourth quarter of 2022, a reversal of impairment of $4 million (after-tax) was recorded mainly related to ATCO Australia's joint venture investment in the Osborne electricity cogeneration facility located in South Australia. The reversal resulted from an improvement in the future outlook of power market prices.
- In the first quarter of 2023, the Company recognized legal and other costs of $9 million (after-tax) related to the early termination of the Wipro Master Service Agreements (MSAs) 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 $36 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 $36 million (after-tax) mainly related to staff reductions and associated severance costs.
- In the second quarter of 2024, the Company recorded a $8 million (after-tax) reduction to earnings related to an AUC enforcement proceeding on the settlement agreement of two 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 six months ended June 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), “non-GAAP financial measures” (as such term is defined in NI 52-112), and "non-GAAP ratios" (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 (loss) and adjusted earnings (loss) for each of ATCO Energy Systems, ATCO EnPower, ATCO Australia, and Corporate & Other are total of segments measures, as defined in NI 52-112.

Total of segments measures are most directly comparable to total earnings (loss) attributable to equity owners of the Company. 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 (loss) attributable to equity owners of the Company 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.

All references to capital investment, references to adjusted earnings (loss) for each of Electricity Distribution, Electricity Transmission, International Electricity Operations, Total Electricity, Natural Gas Distribution, Natural Gas Transmission, Total Natural Gas, ATCO Gas Australia, ATCO Power Australia, Electricity Generation, and Storage & Industrial Water, and mid-year rate base are non-GAAP financial measures, as defined in NI 52-112.

Adjusted earnings (loss) are defined as earnings (loss) attributable to equity owners of the Company after adjusting for the timing of revenues and expenses associated with rate-regulated activities, dividends on equity preferred shares of the Company, and unrealized gains or losses on mark-to-market forward and swap commodity contracts. Adjusted earnings (loss) 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 (loss) present earnings (loss) 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. Adjusted earnings (loss) are presented in Note 3 of the unaudited interim consolidated financial statements. Adjusted earnings (loss) per Class A and Class B share are calculated by dividing adjusted earnings (loss) by the weighted average number of shares outstanding for the period.

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

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

Mid-year rate base is a non-GAAP financial measure and mid-year rate base (CAGR) is a non-GAAP financial ratio. Mid-year rate base is equal to total net capital investment less depreciation. Growth in mid-year rate base is a leading indicator of a utility's earnings trend, depending on changes in the equity ratio of the mid-year rate base and the rate of return on common equity. Mid-year rate base and mid-year rate base CAGR are not standardized financial measures 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.

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.

Adjusted earnings ($ per share) and mid-year rate base (CAGR) are non-GAAP ratios, as defined in NI 52-112.

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

Adjusted earnings (loss) are earnings (loss) attributable to equity owners of the Company after adjusting for the timing of revenues and expenses associated with rate-regulated activities, dividends on equity preferred shares of the Company, and unrealized gains or losses on mark-to-market forward and swap commodity contracts. Adjusted earnings (loss) 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 (loss) are a key measure of segment earnings (loss) that management uses to assess segment performance and allocate resources. It is management's view that adjusted earnings (loss) allow a better assessment of the economics of rate regulation in Canada and Australia than IFRS earnings (loss). Additional information regarding this measure is provided in the Other Financial and Non-GAAP Measures section of this MD&A.

($ millions) — **Three Months Ended June 30**

2024 2023	ATCO Energy Systems	ATCO EnPower	ATCO Australia	Corporate & Other	Intersegment Eliminations	Consolidated
Revenues	**703**	**69**	**62**	**43**	**(17)**	**860**
	679	66	55	105	(26)	879
Adjusted earnings (loss)	**112**	**18**	**17**	**(30)**	**—**	**117**
	98	8	17	(23)	—	100
Restructuring	**(32)**	**(2)**	**(2)**	**—**	**—**	**(36)**
	—	—	—	—	—	—
ATCO Electric settlement application	**(8)**	**—**	**—**	**—**	**—**	**(8)**
	—	—	—	—	—	—
Unrealized (losses) gains on mark-to-market forward and swap commodity contracts	**—**	**—**	**—**	**(18)**	**—**	**(18)**
	—	—	—	7	—	7
Rate-regulated activities	**(1)**	**—**	**(6)**	**—**	**—**	**(7)**
	1	—	(12)	3	—	(8)
IT Common Matters decision	**(5)**	**—**	**—**	**—**	**—**	**(5)**
	(5)	—	—	—	—	(5)
Impairment	**—**	**—**	**—**	**—**	**—**	**—**
	(8)	—	—	—	—	(8)
Dividends on equity preferred shares of Canadian Utilities Limited	**—**	**—**	**—**	**19**	**—**	**19**
	—	—	—	19	—	19
Earnings (loss) attributable to equity owners of the Company	**66**	**16**	**9**	**(29)**	**—**	**62**
	86	8	5	6	—	105

($ millions)						Six Months Ended June 30
2024 / 2023	ATCO Energy Systems	ATCO EnPower	ATCO Australia	Corporate & Other	Intersegment Eliminations	Consolidated
Revenues	**1,590**	**160**	**115**	**144**	**(58)**	**1,951**
	1,564	192	108	220	(74)	2,010
Adjusted earnings (loss)	**333**	**26**	**28**	**(45)**	**—**	**342**
	305	23	33	(44)	—	317
Restructuring	**(32)**	**(2)**	**(2)**	**—**	**—**	**(36)**
	—	—	—	—	—	—
ATCO Electric settlement application	**(8)**	**—**	**—**	**—**	**—**	**(8)**
	—	—	—	—	—	—
Unrealized (losses) gains on mark-to-market forward and swap commodity contracts	**—**	**3**	**—**	**(10)**	**—**	**(7)**
	—	—	—	68	—	68
Rate-regulated activities	**(2)**	**—**	**(12)**	**—**	**—**	**(14)**
	21	—	(23)	3	—	1
IT Common Matters decision	**(11)**	**—**	**—**	**—**	**—**	**(11)**
	(10)	—	—	—	—	(10)
Impairment	**—**	**—**	**—**	**—**	**—**	**—**
	(8)	—	—	—	—	(8)
Transition of managed IT services	**—**	**—**	**—**	**—**	**—**	**—**
	(2)	—	(7)	—	—	(9)
Dividends on equity preferred shares of Canadian Utilities Limited	**—**	**—**	**—**	**38**	**—**	**38**
	—	—	—	38	—	38
Earnings (loss) attributable to equity owners of the Company	**280**	**27**	**14**	**(17)**	**—**	**304**
	306	23	3	65	—	397

RESTRUCTURING

The Company recorded $36 million (after-tax) in the second quarter and first six months of 2024 of restructuring costs 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 APPLICATION

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 relate to disclosure requirements for two independent matters included in applications filed in 2015 and 2019, for projects constructed between 2012 and 2015, were identified following an extensive internal investigation supported by independent third parties. The settlement agreement includes an administrative penalty of $3 million, and a refund to customers through a billing adjustment to the AESO of $4 million. In the second quarter and first six months 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.

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

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

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

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

RATE-REGULATED ACTIVITIES

ATCO Electric Transmission, ATCO Electric Distribution, ATCO Electric Yukon, Northland Utilities (NWT), Northland Utilities (Yellowknife), ATCO Gas, ATCO Pipelines and ATCO Gas Australia 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 Regulated Utilities do not recognize assets and liabilities from rate-regulated activities as may be directed by regulatory decisions. Instead, the Regulated Utilities recognize revenues in earnings when amounts are billed to customers, consistent with the regulator-approved rate design. Operating costs and expenses are recorded when incurred. Costs incurred in constructing an asset that meet the asset recognition criteria are included in the related property, plant and equipment or intangible asset.

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

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

Timing Adjustment	Items	RRA Treatment	IFRS Treatment
Additional revenues billed in current period	Future removal and site restoration costs, and impact of colder temperatures.	The Company defers the recognition of cash received in advance of future expenditures.	The Company recognizes revenues when amounts are billed to customers and costs when they are incurred.
Revenues to be billed in future periods	Deferred income taxes, impact of warmer temperatures, and impact of inflation on rate base.	The Company recognizes revenues associated with recoverable costs in advance of future billings to customers.	The Company recognizes costs when they are incurred, but does not recognize their recovery until customer rates are changed and amounts are collected through future billings.
Regulatory decisions received	Regulatory decisions received which relate to current and prior periods.	The Company recognizes the earnings from a regulatory decision pertaining to current and prior 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 months and six months ended June 30, the significant timing adjustments as a result of the differences between rate-regulated accounting and IFRS Accounting Standards are as follows:

	Three Months Ended June 30			Six Months Ended June 30		
($ millions)	**2024**	**2023**	**Change**	**2024**	**2023**	**Change**
Additional revenues billed in current period						
Future removal and site restoration costs (1)	**32**	36	(4)	**63**	66	(3)
Impact of colder temperatures (2)	**—**	—	—	**4**	—	4
Revenues to be billed in future periods						
Deferred income taxes (3)	**(30)**	(38)	8	**(63)**	(74)	11
Impact of warmer temperatures (2)	**(1)**	(9)	8	**—**	(7)	7
Impact of inflation on rate base (4)	**(5)**	(11)	6	**(10)**	(21)	11
Settlement of regulatory decisions and other items						
Distribution rate relief (5)	**—**	4	(4)	**—**	9	(9)
Other (6)	**(3)**	10	(13)	**(8)**	28	(36)
	(7)	(8)	1	**(14)**	1	(15)

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

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

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

(4) The inflation-indexed portion of ATCO Gas Australia's rate base is billed to customers through the recovery of depreciation in subsequent periods based on the actual or forecasted annual rate of inflation. Under rate-regulated accounting, revenue is recognized in the current period for the inflation component of rate base when it is earned. Differences between the amounts earned and the amounts billed to customers are deferred and recognized in revenues over the service life of the related asset.

(5) In 2021, in response to the 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 six months ended June 30, 2023, $4 million (after-tax) and $9 million (after-tax) was billed to customers.

(6) For the three and six months ended June 30, 2023, Electricity Distribution recorded an increase in earnings of $8 million (after-tax) and $24 million (after-tax) related to payments of electricity transmission costs.

IT COMMON MATTERS DECISION

Consistent with the treatment of the gain on sale in 2014 from the IT services business by the Company, financial impacts associated with the IT Common Matters decision are excluded from adjusted earnings. The amount excluded from adjusted earnings for the second quarter and first six months of 2024 was $5 million and $11 million (after-tax) (2023 - $5 million and $10 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 $9 million (after-tax) related to the Wipro MSAs matter that was concluded on February 26, 2023.

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

ATCO Energy Systems

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

($ millions) — Three Months Ended June 30

2024 / 2023	Canadian Utilities Limited							
	Electricity				Natural Gas			
	Electricity Distribution	Electricity Transmission	International Electricity	Consolidated Electricity	Natural Gas Distribution	Natural Gas Transmission	Consolidated Natural Gas	ATCO Energy Systems
Adjusted earnings (loss)	**26**	**50**	**13**	**89**	**(1)**	**24**	**23**	**112**
	28	37	10	75	—	23	23	98
Restructuring	**(8)**	**(5)**	**—**	**(13)**	**(16)**	**(3)**	**(19)**	**(32)**
	—	—	—	—	—	—	—	—
ATCO Electric settlement application	**—**	**(8)**	**—**	**(8)**	**—**	**—**	**—**	**(8)**
	—	—	—	—	—	—	—	—
Rate-regulated activities	**(2)**	**(3)**	**—**	**(5)**	**9**	**(5)**	**4**	**(1)**
	1	11	—	12	(8)	(3)	(11)	1
IT Common Matters decision	**(2)**	**(1)**	**—**	**(3)**	**(1)**	**(1)**	**(2)**	**(5)**
	(1)	(1)	—	(2)	(2)	(1)	(3)	(5)
Impairment	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	—	(8)	—	(8)	—	—	—	(8)
Earnings (loss) attributable to equity owners of the Company	**14**	**33**	**13**	**60**	**(9)**	**15**	**6**	**66**
	28	39	10	77	(10)	19	9	86

($ millions) — Six Months Ended June 30

2024 / 2023	Canadian Utilities Limited							
	Electricity				Natural Gas			
	Electricity Distribution	Electricity Transmission	International Electricity	Consolidated Electricity	Natural Gas Distribution	Natural Gas Transmission	Consolidated Natural Gas	ATCO Energy Systems
Adjusted earnings	**67**	**96**	**26**	**189**	**98**	**46**	**144**	**333**
	66	81	22	169	88	48	136	305
Restructuring	**(8)**	**(5)**	**—**	**(13)**	**(16)**	**(3)**	**(19)**	**(32)**
	—	—	—	—	—	—	—	—
ATCO Electric settlement application	**—**	**(8)**	**—**	**(8)**	**—**	**—**	**—**	**(8)**
	—	—	—	—	—	—	—	—
Rate-regulated activities	**(15)**	**(8)**	**—**	**(23)**	**25**	**(4)**	**21**	**(2)**
	11	5	—	16	10	(5)	5	21
IT Common Matters decision	**(4)**	**(2)**	**—**	**(6)**	**(3)**	**(2)**	**(5)**	**(11)**
	(3)	(2)	—	(5)	(4)	(1)	(5)	(10)
Transition of managed IT services	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	(1)	—	—	(1)	(1)	—	(1)	(2)
Impairment	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	—	(8)	—	(8)	—	—	—	(8)
Earnings attributable to equity owners of the Company	**40**	**73**	**26**	**139**	**104**	**37**	**141**	**280**
	73	76	22	171	93	42	135	306

ATCO EnPower

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

($ millions)			Three Months Ended June 30
2024	Canadian Utilities Limited		
2023			
	Electricity Generation	**Storage & Industrial Water**	**ATCO EnPower**
Adjusted earnings	**8**	**10**	**18**
	3	5	8
Restructuring	**—**	**(2)**	**(2)**
	—	—	—
Earnings attributable to equity owners of the Company	**8**	**8**	**16**
	3	5	8

($ millions)			Six Months Ended June 30
2024	Canadian Utilities Limited		
2023			
	Electricity Generation	**Storage & Industrial Water**	**ATCO EnPower**
Adjusted earnings	**6**	**20**	**26**
	10	13	23
Restructuring	**—**	**(2)**	**(2)**
	—	—	—
Unrealized gains on mark-to-market forward and swap commodity contracts	**3**	**—**	**3**
	—	—	—
Earnings attributable to equity owners of the Company	**9**	**18**	**27**
	10	13	23

ATCO Australia

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

($ millions)	Canadian Utilities Limited		Three Months Ended June 30
2024 / 2023	ATCO Gas Australia	ATCO Power Australia	ATCO Australia
Adjusted earnings	**14**	**3**	**17**
	17	—	17
Restructuring	**(1)**	**(1)**	**(2)**
	—	—	—
Rate-regulated activities	**(6)**	**—**	**(6)**
	(12)	—	(12)
Earnings attributable to equity owners of the Company	**7**	**2**	**9**
	5	—	5

($ millions)	Canadian Utilities Limited		Six Months Ended June 30
2024 / 2023	ATCO Gas Australia	ATCO Power Australia	ATCO Australia
Adjusted earnings (loss)	**24**	**4**	**28**
	35	(2)	33
Restructuring	**(1)**	**(1)**	**(2)**
	—	—	—
Rate-regulated activities	**(12)**	**—**	**(12)**
	(23)	—	(23)
Transition of managed IT services	**—**	**—**	**—**
	(6)	(1)	(7)
Earnings (loss) attributable to equity owners of the Company	**11**	**3**	**14**
	6	(3)	3

RECONCILIATION OF CAPITAL INVESTMENT TO CAPITAL EXPENDITURES

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

($ millions) — **Three Months Ended June 30**

2024 2023	ATCO Energy Systems	ATCO EnPower	ATCO Australia	CU Corporate & Other	Consolidated
Capital Investment	**283**	**16**	**22**	**2**	**323**
	266	44	21	5	336
Capital Expenditures in joint ventures	**—**	**(1)**	**—**	**—**	**(1)**
	(1)	(3)	—	—	(4)
Capital Expenditures	**283**	**15**	**22**	**2**	**322**
	265	41	21	5	332

($ millions) — **Six Months Ended June 30**

2024 2023	ATCO Energy Systems	ATCO EnPower	ATCO Australia	CU Corporate & Other	Consolidated
Capital Investment	**565**	**31**	**38**	**7**	**641**
	508	777	41	6	1,332
Capital Expenditures in joint ventures	**(1)**	**(2)**	**—**	**—**	**(3)**
	(2)	(3)	—	—	(5)
Business Combination [1]	**—**	**—**	**—**	**—**	**—**
	—	(691)	—	—	(691)
Capital Expenditures	**564**	**29**	**38**	**7**	**638**
	506	83	41	6	636

(1) Business combination refers to the acquisition of the renewable energy portfolio in the ATCO EnPower segment in 2023.

OTHER FINANCIAL INFORMATION

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

RELATED PARTY TRANSACTIONS

Sale of ATCO Energy Ltd.

On May 15, 2024, the Company entered into an agreement to sell its 100 per cent investment in ATCO Energy Ltd. (ATCO Energy), an Alberta-based company engaged in electricity and natural gas retail sales, and whole-home solutions, to ATCO Ltd. for $85 million in cash and subject to working capital adjustments. The transaction is expected to close during the third quarter of 2024. The purchase price represents the estimated fair market value of ATCO Energy, which was supported by independent fairness opinions. ATCO Energy is currently reported in the Corporate & Other segment. Assets and liabilities are classified as held for sale in the Consolidated Balance Sheets of the unaudited interim consolidated financial statements.

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 and targets; emissions reductions; growth plans and opportunities; the expected timing of commencement, completion or commercial operations of activities, contracts and projects; the expected term of contracts; the impact or benefits of contracts, including economic and other benefits for the Company and its partners and counterparties; expected inflation; the payment of dividends and expected dividend growth; expected growth; the projected investment in the Yellowhead Mainline project; the anticipated size, specifications and incremental natural gas delivery capacity of the Yellowhead Mainline project; the expected timing for commencement of construction and bringing the Yellowhead Mainline project on-stream; the expected capital investment plan for ATCO Energy Systems and impacts and benefits of such investments; expected three-year mid-year rate base CAGR for ATCO Energy Systems; the timing of commercial operation of the Atlas Carbon Storage Hub project, the storage of industrial emissions, including from Shell's Polaris carbon capture project, and expected future development of and anticipated benefits from the Atlas Carbon Storage Hub project, including it being the first step in ATCO EnPower's work to create a full value chain for hydrogen development and being integral to ATCO's long-term strategy and sustainability aspirations; the expected impact of new legislation; the expected timing and impact of policy and regulatory decisions and new policy and regulatory announcements; the Company's liquidity, capital resources and contractual financial obligations and other commitments; and expected closing or completion of referenced transactions.

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 growth of energy demand; inflation; the development and performance of technology and technological innovations and the ability to otherwise access and implement all technology necessary to achieve GHG and other ESG targets; continuing collaboration with certain business partners and engagement with new business partners, and regulatory and environmental groups; the performance of assets and equipment; demand levels for oil, natural gas, gasoline, diesel and other energy sources; certain levels of future energy use; future production rates; future revenue and earnings; the ability to meet current project schedules, and other assumptions inherent in management's expectations in respect of the forward-looking information identified herein.

The Company's actual results could differ materially from those anticipated in this forward-looking information as a result of, among other things, risks inherent in the performance of assets; capital efficiencies and cost savings; applicable laws, regulations and government policies, including uncertainty with respect to the interpretation of omnibus Bill C-59 and the related 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, infrastructure, and future demand for resources; the development and execution of projects, including development projects, not proceeding on schedule or at all, or at currently estimated budgets; the availability of financing sources for development projects on acceptable terms; 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 six months ended June 30, 2024, and most recent Annual Information Form dated February 28, 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

AESO means Alberta Electric System Operator.

AUC means the Alberta Utilities Commission.

CAGR means compound annual growth rate.

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

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

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

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

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

DRIP means Dividend Reinvestment Plan.

ESG means Environmental, Social and Governance.

GAAP means Canadian generally accepted accounting principles.

GHG means greenhouse gas.

IFRS means International Financial Reporting Standards.

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

PBR means Performance Based Regulation.

Regulated Utilities means Electricity Distribution, Electricity Transmission, Natural Gas Distribution, Natural Gas Transmission, ATCO Gas Australia and their related subsidiaries.

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.

SUPPLEMENTAL INFORMATION

Adjusted EBITDA is a non-GAAP financial measure [(1)], it is an additional important metric for ATCO EnPower and is representative of core operational results.

EBITDA is defined as earnings before interest, taxes, depreciation and amortization. Adjusted EBITDA is defined as EBITDA after adjustments, excluding 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 EBITDA is most directly comparable to earnings (loss) attributable to equity owners but is not a standardized financial measure under the reporting framework used to prepare our financial statements. Adjusted EBITDA may not be comparable to similar financial measures disclosed by other issuers.

ATCO EnPower

The following tables reconcile adjusted EBITDA for the ATCO EnPower business unit to adjusted earnings [(2)] for the second quarter and first six months of 2024 and 2023. A reconciliation of adjusted earnings to earnings attributable to equity owners of the Company is presented in the "Reconciliation Of Adjusted Earnings To Earnings Attributable To Equity Owners of the Company" in the CU MD&A.

($ millions)			**Three Months Ended June 30**
2024 2023	**Canadian Utilities Limited**		
	Electricity Generation	**Storage & Industrial Water**	**ATCO EnPower**
Adjusted earnings (loss) [(1)]	**8**	**10**	**18**
	3	5	8
Add:			
Interest expense	**7**	**—**	**7**
	6	—	6
Income tax expense	**3**	**3**	**6**
	2	2	4
Depreciation and amortization	**9**	**5**	**14**
	8	5	13
Total Adjusted EBITDA [(1)]	**27**	**18**	**45**
	19	12	31

(1) Non-GAAP financial measure.

[(1)] Non-GAAP financial measure as defined in National Instrument 52-112 (NI 52-112). 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.

[(2)] Adjusted earnings (loss) are defined as earnings (loss) attributable to equity owners of the Company after adjusting for the timing of revenues and expenses associated with rate-regulated activities and unrealized gains or losses on mark-to-market forward and swap commodity contracts. Adjusted earnings (loss) 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.

($ millions)			Six Months Ended June 30
2024 2023	Canadian Utilities Limited		
	Electricity Generation	Storage & Industrial Water	ATCO EnPower
Adjusted earnings (loss)[1]	**6**	**20**	**26**
	10	13	23
Add:			
Interest expense	**13**	**1**	**14**
	11	—	11
Income tax expense	**3**	**6**	**9**
	4	4	8
Depreciation and amortization	**18**	**9**	**27**
	15	10	25
Total Adjusted EBITDA	**40**	**36**	**76**
	40	27	67

(1) Non-GAAP financial measure.