# ATCO LTD.

# INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**(UNAUDITED)**

**FOR THE THREE MONTHS ENDED MARCH 31, 2023**

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# CONSOLIDATED STATEMENTS OF EARNINGS

| *(millions of Canadian Dollars except per share data)* | Note | Three Months Ended March 31 2023 | 2022 |
|---|---|---|---|
| **Revenues** | 4 | **1,358** | 1,311 |
| **Costs and expenses** | | | |
| Salaries, wages and benefits | | **(157)** | (156) |
| Energy transmission and transportation | | **(75)** | (66) |
| Plant and equipment maintenance | | **(62)** | (44) |
| Fuel costs | | **(63)** | (59) |
| Purchased power | | **(70)** | (77) |
| Materials and consumables | | **(117)** | (103) |
| Depreciation and amortization | | **(189)** | (175) |
| Franchise fees | | **(108)** | (111) |
| Property and other taxes | | **(20)** | (19) |
| Other | | **(10)** | (94) |
| | | **(871)** | (904) |
| **Earnings from investment in associate company** | | **5** | 4 |
| **Earnings from investment in joint ventures** | | **21** | 19 |
| **Operating profit** | | **513** | 430 |
| Interest income | | **19** | 4 |
| Interest expense | | **(122)** | (106) |
| **Net finance costs** | | **(103)** | (102) |
| **Earnings before income taxes** | | **410** | 328 |
| **Income tax expense** | | **(92)** | (83) |
| **Earnings for the period** | | **318** | 245 |
| **Earnings attributable to:** | | | |
| Class I and Class II Shares | | **167** | 128 |
| Non-controlling interests | | **151** | 117 |
| | | **318** | 245 |
| **Earnings per Class I and Class II Share** | 5 | **$1.47** | $1.12 |
| **Diluted earnings per Class I and Class II Share** | 5 | **$1.47** | $1.12 |

*See accompanying Notes to Unaudited Interim Consolidated Financial Statements.*

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| *(millions of Canadian Dollars)* | Three Months Ended March 31 **2023** | **2022** |
|---|---|---|
| **Earnings for the period** | **318** | 245 |
| **Other comprehensive (loss) income, net of income taxes** | | |
| *Items that will not be reclassified to earnings:* | | |
| Re-measurement of retirement benefits [1] | **(2)** | 15 |
| *Items that are or may be reclassified subsequently to earnings:* | | |
| Cash flow hedges [2] | **(80)** | 31 |
| Foreign currency translation adjustment [3] | **12** | 15 |
| Share of other comprehensive (loss) income in associate company [3] | **(4)** | 12 |
| Share of other comprehensive income of joint ventures [3] | **5** | _ |
| | **(67)** | 58 |
| **Other comprehensive (loss) income** | **(69)** | 73 |
| **Comprehensive income for the period** | **249** | 318 |
| **Comprehensive income attributable to:** | | |
| Class I and Class II Shares | **137** | 177 |
| Non-controlling interests | **112** | 141 |
| | **249** | 318 |

*(1) Net of income taxes of nil for the three months ended March 31, 2023 (2022 - $(5) million).*

*(2) Net of income taxes of $22 million for the three months ended March 31, 2023 (2022 - $(11) million).*

*(3) Net of income taxes of nil.*

*See accompanying Notes to Unaudited Interim Consolidated Financial Statements.*

# CONSOLIDATED BALANCE SHEETS

| *(millions of Canadian Dollars)* | Note | March 31 2023 | December 31 2022 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 12 | **724** | 1,033 |
| Marketable securities | 6 | **292** | – |
| Accounts receivable and contract assets | 12 | **835** | 956 |
| Finance lease receivables | | **11** | 11 |
| Inventories | | **84** | 80 |
| Prepaid expenses and other current assets | | **237** | 281 |
| | | **2,183** | 2,361 |
| **Non-current assets** | | | |
| Property, plant and equipment | 7,12 | **20,361** | 19,504 |
| Intangibles | 12 | **944** | 870 |
| Retirement benefit asset | | **25** | 24 |
| Right-of-use assets | 12 | **110** | 109 |
| Goodwill | 12 | **234** | 89 |
| Investment in joint ventures | | **280** | 264 |
| Investment in associate company | | **485** | 473 |
| Finance lease receivables | | **135** | 138 |
| Deferred income tax assets | | **70** | 64 |
| Other assets | | **233** | 243 |
| **Total assets** | | **25,060** | 24,139 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Accounts payable and accrued liabilities | 12 | **1,055** | 1,161 |
| Lease liabilities | | **16** | 16 |
| Provisions and other current liabilities | 3 | **163** | 240 |
| Long-term debt | 8 | **586** | 109 |
| | | **1,820** | 1,526 |
| **Non-current liabilities** | | | |
| Deferred income tax liabilities | 12 | **2,034** | 1,843 |
| Retirement benefit obligations | | **226** | 223 |
| Customer contributions | | **2,024** | 1,989 |
| Lease liabilities | 12 | **100** | 99 |
| Other liabilities | | **144** | 137 |
| Long-term debt | 8, 12 | **10,239** | 9,978 |
| **Total liabilities** | | **16,587** | 15,795 |
| **EQUITY** | | | |
| **Class I and Class II Share owners' equity** | | | |
| Class I and Class II shares | 9 | **178** | 179 |
| Contributed surplus | | **10** | 10 |
| Retained earnings | | **4,172** | 4,090 |
| Accumulated other comprehensive income | | **69** | 97 |
| | | **4,429** | 4,376 |
| **Non-controlling interests** | 12 | **4,044** | 3,968 |
| **Total equity** | | **8,473** | 8,344 |
| **Total liabilities and equity** | | **25,060** | 24,139 |

*See accompanying Notes to Unaudited Interim Consolidated Financial Statements.*

# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| *(millions of Canadian Dollars)* | Note | Class I and Class II Shares | Contributed Surplus | Retained Earnings | Accumulated Other Comprehensive (Loss) Income | Total | Non-Controlling Interests | Total Equity |
|---|---|---|---|---|---|---|---|---|
| December 31, 2021 | | 180 | 8 | 3,962 | (39) | 4,111 | 3,838 | 7,949 |
| Earnings for the period | | – | – | 128 | – | 128 | 117 | 245 |
| Other comprehensive income | | – | – | – | 49 | 49 | 24 | 73 |
| Gains on retirement benefits transferred to retained earnings | | – | – | 9 | (9) | – | – | – |
| Shares issued | | – | – | – | – | – | 4 | 4 |
| Dividends (1) | 9 | – | – | (53) | – | (53) | (76) | (129) |
| Other | | – | – | 1 | – | 1 | (1) | – |
| March 31, 2022 | | 180 | 8 | 4,047 | 1 | 4,236 | 3,906 | 8,142 |
| December 31, 2022 | | 179 | 10 | 4,090 | 97 | 4,376 | 3,968 | 8,344 |
| Earnings for the period | | – | – | **167** | – | **167** | **151** | **318** |
| Other comprehensive loss | | – | – | – | **(30)** | **(30)** | **(39)** | **(69)** |
| Losses on retirement benefits transferred to retained earnings | | – | – | **(2)** | **2** | – | – | – |
| Shares issued | | – | – | – | – | – | **6** | **6** |
| Shares purchased and cancelled | 9 | **(1)** | – | **(22)** | – | **(23)** | – | **(23)** |
| Acquisition | 12 | – | – | – | – | – | **27** | **27** |
| Dividends (1) | 9 | – | – | **(55)** | – | **(55)** | **(78)** | **(133)** |
| Other | | – | – | **(6)** | – | **(6)** | **9** | **3** |
| March 31, 2023 | | **178** | **10** | **4,172** | **69** | **4,429** | **4,044** | **8,473** |

*(1) Dividends paid to non-controlling interests of $78 million (2022 - $76 million) include $6 million (2023 - $3 million) of dividends paid by Canadian Utilities Limited through the issuance of Class A shares under its dividend reinvestment program.*

*See accompanying Notes to Unaudited Interim Consolidated Financial Statements.*

# CONSOLIDATED STATEMENTS OF CASH FLOWS

| | | Three Months Ended March 31 | |
|---|---|---|---|
| *(millions of Canadian Dollars)* | **Note** | **2023** | **2022** |
| **Operating activities** | | | |
| Earnings for the period | | **318** | 245 |
| Adjustments to reconcile earnings to cash flows from operating activities | 10 | **314** | 396 |
| Changes in non-cash working capital | 3 | **(78)** | 47 |
| **Cash flows from operating activities** | | **554** | 688 |
| **Investing activities** | | | |
| Additions to property, plant and equipment | | **(325)** | (268) |
| Proceeds on disposal of property, plant and equipment | | **2** | – |
| Additions to intangibles | | **(27)** | (32) |
| Acquisition, net of cash acquired | 12 | **(675)** | – |
| Proceeds on sale of ownership interest in a subsidiary company, net of cash disposed | | **–** | 8 |
| Investment in joint ventures | | **(2)** | (4) |
| Investment in marketable securities | 6 | **(290)** | – |
| Changes in non-cash working capital | | **(15)** | 19 |
| Other | 7 | **–** | 66 |
| **Cash flows used in investing activities** | | **(1,332)** | (211) |
| **Financing activities** | | | |
| Net repayment of short-term debt | | **–** | (154) |
| Issue of long-term debt | 8 | **786** | 8 |
| Repayment of long-term debt | | **(47)** | (11) |
| Repayment of lease liabilities | | **(4)** | (4) |
| Net purchase of Class I Shares | 9 | **(23)** | – |
| Dividends paid to Class I and Class II Share owners | 9 | **(55)** | (53) |
| Dividends paid to non-controlling interests | | **(72)** | (73) |
| Interest paid | | **(113)** | (89) |
| **Cash flows from (used in) financing activities** | | **472** | (376) |
| **(Decrease) increase in cash position** (1) | | **(306)** | 101 |
| Foreign currency translation | | **(3)** | 1 |
| Beginning of period | | **1,033** | 1,088 |
| **End of period** | 10 | **724** | 1,190 |

*(1) Cash position includes $13 million which is not available for general use by the Company (2022 - $15 million).*

*See accompanying Notes to Unaudited Interim Consolidated Financial Statements.*

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**(UNAUDITED)**

**MARCH 31, 2023**

*(Tabular amounts in millions of Canadian Dollars, except as otherwise noted)*

## 1. THE COMPANY AND ITS OPERATIONS

ATCO Ltd. was incorporated under the laws of the province of Alberta and is listed on the Toronto Stock Exchange. Its head office and registered office is at 4th Floor, West Building, 5302 Forand Street SW, Calgary, Alberta T3E 8B4. ATCO Ltd. is controlled by Sentgraf Enterprises Ltd. and its controlling share owner, the Southern family.

ATCO Ltd. is engaged in the following business activities:

- Structures & Logistics (workforce and residential housing, innovative modular facilities, construction, site support services, workforce lodging services, facility operations and maintenance, defence operations services, and disaster and emergency management services);
- Canadian Utilities Limited, including:
    - Utilities (electricity and natural gas transmission and distribution, and international electricity operations);
    - Energy Infrastructure (energy storage, electricity generation, industrial water solutions, and clean fuels);
    - Retail Energy (electricity and natural gas retail sales, and whole-home solutions) (included in the Corporate & Other segment); and
- Neltume Ports (ports and transportation logistics).

The unaudited interim consolidated financial statements include the accounts of ATCO Ltd. and its subsidiaries. The statements also include the accounts of a proportionate share of the Company's investments in joint ventures and its investment in associate company. In these financial statements, "the Company" means ATCO Ltd., its subsidiaries, joint ventures and the associate company.

Principal operating subsidiaries are:

- Canadian Utilities Limited (52.8 per cent owned) and its subsidiaries; and
- ATCO Structures & Logistics and its subsidiaries.

## 2. BASIS OF PRESENTATION

### STATEMENT OF COMPLIANCE

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 and IFRS Interpretations Committee (IFRIC). They do not include all the disclosures required in annual consolidated financial statements and should be read in conjunction with the Company’s consolidated financial statements for the year ended December 31, 2022, prepared according to IFRS.

The unaudited interim consolidated financial statements are prepared following the same accounting policies used in the Company’s most recent annual consolidated financial statements, except for income taxes. In interim periods, income taxes are accrued using an estimate of the annualized effective tax rate applied to year-to-date earnings.

The unaudited interim consolidated financial statements were authorized for issue by the Audit & Risk Committee, on behalf of the Board of Directors, on April 26, 2023.

### BASIS OF MEASUREMENT

The unaudited interim consolidated financial statements are prepared on a historic cost basis, except for marketable securities, derivative financial instruments, retirement benefit obligations and cash-settled share-based compensation liabilities which are carried at remeasured amounts or fair value.

Revenues, earnings and adjusted earnings for any quarter are not necessarily indicative of operations on an annual basis. Quarterly financial results may be affected by the seasonal nature of the Company's operations, the timing of utility rate decisions, the timing and demand of natural gas storage capacity sold and changes in natural gas storage fees, the amount of sunlight or wind available to produce renewable energy and changes in market conditions for workforce housing and space rentals operations.

Certain comparative figures have been reclassified to conform to the current presentation.

## 3. SEGMENTED INFORMATION

Results by operating segment for the three months ended March 31 are shown below.

| **2023** / 2022 | **Structures & Logistics** | **Neltume Ports** | **Corporate & Other** | **Canadian Utilities Limited: Utilities** [(1)] | **Canadian Utilities Limited: Energy Infrastructure** | **Canadian Utilities Limited: Corporate & Other** | **Canadian Utilities Limited: Consolidated** | **ATCO Consolidated** |
|---|---|---|---|---|---|---|---|---|
| Revenues - external | **226** | **–** | **1** | **933** | **95** | **103** | **1,131** | **1,358** |
| | 202 | – | (1) | 962 | 54 | 94 | 1,110 | 1,311 |
| Revenues - intersegment | **–** | **–** | **–** | **–** | **36** | **(36)** | **–** | **–** |
| | – | – | – | 2 | 27 | (29) | – | – |
| Revenues | **226** | **–** | **1** | **933** | **131** | **67** | **1,131** | **1,358** |
| | 202 | – | (1) | 964 | 81 | 65 | 1,110 | 1,311 |
| Operating expenses [(2)] | **(179)** | **–** | **(1)** | **(414)** | **(99)** | **11** | **(502)** | **(682)** |
| | (160) | – | (1) | (416) | (71) | (81) | (568) | (729) |
| Depreciation and amortization | **(18)** | **–** | **(3)** | **(153)** | **(12)** | **(3)** | **(168)** | **(189)** |
| | (15) | – | (3) | (150) | (4) | (3) | (157) | (175) |
| Earnings from investment in associate company | **–** | **5** | **–** | **–** | **–** | **–** | **–** | **5** |
| | – | 4 | – | – | – | – | – | 4 |
| Earnings from investment in joint ventures | **2** | **–** | **–** | **13** | **6** | **–** | **19** | **21** |
| | 1 | – | – | 12 | 6 | – | 18 | 19 |
| Net finance costs | **(3)** | **–** | **(3)** | **(90)** | **(6)** | **(1)** | **(97)** | **(103)** |
| | (1) | – | (4) | (94) | (2) | (1) | (97) | (102) |
| Earnings (loss) before income taxes | **28** | **5** | **(6)** | **289** | **20** | **74** | **383** | **410** |
| | 27 | 4 | (9) | 316 | 10 | (20) | 306 | 328 |
| Income tax (expense) recovery | **(6)** | **–** | **1** | **(65)** | **(3)** | **(19)** | **(87)** | **(92)** |
| | (7) | – | 1 | (78) | (2) | 3 | (77) | (83) |
| Earnings (loss) for the period | **22** | **5** | **(5)** | **224** | **17** | **55** | **296** | **318** |
| | 20 | 4 | (8) | 238 | 8 | (17) | 229 | 245 |
| Adjusted earnings (loss) | **22** | **5** | **(5)** | **120** | **8** | **(13)** | **115** | **137** |
| | 20 | 4 | (6) | 124 | 4 | (12) | 116 | 134 |
| Total assets [(3)] | **1,273** | **474** | **422** | **19,689** | **2,257** | **945** | **22,891** | **25,060** |
| | 1,147 | 473 | 545 | 19,507 | 1,342 | 1,125 | 21,974 | 24,139 |
| Capital expenditures [(4)] | **50** | **–** | **4** | **261** | **42** | **1** | **304** | **358** |
| | 39 | – | – | 217 | 43 | 3 | 263 | 302 |

*(1) Includes the collective results of the Electricity and the Natural Gas operating segments. Details of the results by operating segment included in the Utilities are disclosed below.*

(2) *Includes total costs and expenses, excluding depreciation and amortization expense.*

(3) *2022 comparatives are at December 31, 2022.*

(4) *Includes additions to property, plant and equipment, intangibles and $6 million of interest capitalized during construction for the three months ended March 31, 2023 (2022 - $2 million).*

Results of the operating segments included in the Utilities for the three months ended March 31 are shown below.

| **2023** | **Utilities** | | | |
|---|---|---|---|---|
| **2022** | **Electricity** | **Natural Gas** | **Intersegment Eliminations** | **Consolidated** |
| Revenues - external | **377** | **556** | – | **933** |
| | 399 | 563 | – | 962 |
| Revenues - intersegment | **1** | **1** | **(2)** | – |
| | 2 | 1 | (1) | 2 |
| Revenues | **378** | **557** | **(2)** | **933** |
| | 401 | 564 | (1) | 964 |
| Operating expenses (1) | **(136)** | **(280)** | **2** | **(414)** |
| | (155) | (262) | 1 | (416) |
| Depreciation and amortization | **(79)** | **(74)** | – | **(153)** |
| | (79) | (71) | – | (150) |
| Earnings from investment in joint ventures | **13** | – | – | **13** |
| | 12 | – | – | 12 |
| Net finance costs | **(55)** | **(35)** | – | **(90)** |
| | (57) | (37) | – | (94) |
| Earnings before income taxes | **121** | **168** | – | **289** |
| | 122 | 194 | – | 316 |
| Income tax expense | **(26)** | **(39)** | – | **(65)** |
| | (33) | (45) | – | (78) |
| Earnings for the period | **95** | **129** | – | **224** |
| | 89 | 149 | – | 238 |
| Adjusted earnings | **50** | **70** | – | **120** |
| | 54 | 70 | – | 124 |
| Total assets (2) | **10,744** | **8,945** | – | **19,689** |
| | 10,644 | 8,865 | (2) | 19,507 |
| Capital expenditures (3) | **145** | **116** | – | **261** |
| | 121 | 96 | – | 217 |

(1) *Includes total costs and expenses, excluding depreciation and amortization expense.*

(2) *2022 comparatives are at December 31, 2022*

(3) *Includes additions to property, plant and equipment, intangibles and $6 million of interest capitalized during construction for the three months ended March 31, 2023 (2022 - $2 million).*

## ADJUSTED EARNINGS

Adjusted earnings are earnings attributable to Class I and II Shares after adjusting for:

- the timing of revenues and expenses for rate-regulated activities;
- one-time gains and losses;
- unrealized gains and losses on mark-to-market forward and swap commodity contracts;
- impairments; and
- items that are not in the normal course of business or a result of day-to-day operations.

Adjusted earnings are a key measure of segment earnings used by the Chief Operating Decision Maker (CODM) to assess segment performance and allocate resources. Other accounts in the unaudited interim consolidated financial statements have not been adjusted as they are not used by the CODM for those purposes.

The reconciliation of adjusted earnings and earnings for the three months ended March 31 is shown below.

| 2023<br>2022 | Structures & Logistics | Neltume Ports | Corporate & Other | Canadian Utilities Limited Utilities | Energy Infrastructure | Corporate & Other | Consolidated | ATCO Consolidated |
|---|---|---|---|---|---|---|---|---|
| Adjusted earnings (loss) | **22** | **5** | **(5)** | **120** | **8** | **(13)** | **115** | **137** |
| | 20 | 4 | (6) | 124 | 4 | (12) | 116 | 134 |
| Transition of managed IT services | **–** | **–** | **–** | **(5)** | **–** | **–** | **(5)** | **(5)** |
| | – | – | – | – | – | – | – | – |
| Unrealized gains (losses) on mark-to-market forward and swap commodity contracts | **–** | **–** | **–** | **–** | **–** | **32** | **32** | **32** |
| | – | – | – | – | – | (6) | (6) | (6) |
| Rate-regulated activities | **–** | **–** | **–** | **5** | **–** | **–** | **5** | **5** |
| | – | – | – | 19 | – | – | 19 | 19 |
| IT Common Matters decision | **–** | **–** | **–** | **(3)** | **–** | **–** | **(3)** | **(3)** |
| | – | – | – | (2) | – | – | (2) | (2) |
| AUC enforcement proceeding | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| | – | – | – | (14) | – | – | (14) | (14) |
| Workplace COVID-19 vaccination standard | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| | – | – | – | (5) | – | – | (5) | (5) |
| Gain on sale of ownership interest in a subsidiary company | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| | – | – | – | 3 | – | – | 3 | 3 |
| Other | **–** | **–** | **–** | **–** | **–** | **1** | **1** | **1** |
| | – | – | (1) | – | – | – | – | (1) |
| Earnings (loss) attributable to Class I and Class II Shares | **22** | **5** | **(5)** | **117** | **8** | **20** | **145** | **167** |
| | 20 | 4 | (7) | 125 | 4 | (18) | 111 | 128 |
| Earnings attributable to non-controlling interests | | | | | | | | **151** |
| | | | | | | | | 117 |
| Earnings for the period | | | | | | | | **318** |
| | | | | | | | | 245 |

The reconciliation of adjusted earnings and earnings for the operating segments included in the Utilities for the three months ended March 31 are shown below.

| 2023<br>2022 | Utilities | | |
|---|---|---|---|
| | Electricity | Natural Gas | Total |
| Adjusted earnings | **50** | **70** | **120** |
| | 54 | 70 | 124 |
| Transition of managed IT services | **(1)** | **(4)** | **(5)** |
| | – | – | – |
| Rate-regulated activities | **3** | **2** | **5** |
| | 7 | 12 | 19 |
| IT Common Matters decision | **(2)** | **(1)** | **(3)** |
| | (1) | (1) | (2) |
| AUC enforcement proceeding | **–** | **–** | **–** |
| | (14) | – | (14) |
| Workplace COVID-19 vaccination standard | **–** | **–** | **–** |
| | (2) | (3) | (5) |
| Gain on sale of ownership interest in a subsidiary company | **–** | **–** | **–** |
| | 3 | – | 3 |
| Earnings attributable to Class I and Class II Shares | **50** | **67** | **117** |
| | 47 | 78 | 125 |

***Transition of managed IT services***

In the three months ended March 31, 2023, the Company recognized additional legal and other costs of $5 million (after-tax and non-controlling interests (NCI)) related to the Wipro Ltd. master services agreements matter that was concluded on February 26, 2023. The impact was recorded in other expenses in the consolidated statements of earnings, provisions and other current liabilities in the consolidated balance sheets, and in changes in non-cash working capital in the consolidated statements of cash flows. As these costs are not in the normal course of business, they have been excluded from adjusted earnings.

***Unrealized gains and losses on mark-to-market forward and swap commodity contracts***

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

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

| | Timing Adjustment | Items | RRA Treatment | IFRS Treatment |
|---|---|---|---|---|
| 1. | 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. |
| 2. | 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. |
| 3. | 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. |
| 4. | 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 ended March 31, the significant timing adjustments as a result of the differences between rate-regulated accounting and IFRS are as follows:

| | 2023 | 2022 |
|---|---|---|
| *Additional revenues billed in current period* | | |
| Future removal and site restoration costs (1) | **16** | 16 |
| Impact of colder temperatures (2) | **1** | – |
| *Revenues to be billed in future periods* | | |
| Deferred income taxes (3) | **(19)** | (12) |
| Impact of warmer temperatures (2) | – | (3) |
| Impact of inflation on rate base (4) | **(5)** | (3) |
| *Settlement of regulatory decisions and other items* | | |
| Distribution rate relief (5) | **3** | 18 |
| Other (6) | **9** | 3 |
| | **5** | 19 |

*(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) ATCO 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 the normal temperatures in the current year 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 (part of Natural Gas Distribution) rate base is billed to customers through the recovery of depreciation in subsequent years 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, ATCO Electric Distribution and ATCO Gas Distribution applied for interim rate relief for customers to hold current distribution base rates in place. This was approved by the AUC in 2021. Based on direction from the AUC, collection of 2021 deferred rate amounts commenced in 2022 and for the three months ended March 31, 2023, $3 million (after-tax and NCI) (2022 - $18 million (after-tax and NCI)) was billed to customers.*

(6) *For the three months ended March 31, 2023, ATCO Electric Distribution recorded an increase in earnings $8 million (after - tax and NCI) 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 in the three months ended March 31, 2023 was $3 million (after-tax and NCI) (2022 - $2 million (after-tax and NCI)).

***Alberta Utilities Commission (AUC) enforcement proceeding***

For the three months ended March 31, 2022, the Company recognized costs of $14 million (after-tax and NCI) related to the AUC enforcement proceeding. As this proceeding is not in the normal course of business, these costs have been excluded from adjusted earnings.

***Workplace COVID-19 vaccination standard***

To safeguard the health and safety of employees, business partners, customers and communities, the Company required its employees, subject to certain exemptions, to be vaccinated against COVID-19 effective January 1, 2022. Employees who did not demonstrate they were vaccinated or did not have an approved exemption were placed on unpaid leave. These employees were subsequently offered severance and in the three months ended March 31, 2022, the Company incurred $5 million (after-tax and NCI) related to amounts paid and accrued. As these costs were not in the normal course of business and were a one-time item, they have been excluded from adjusted earnings.

***Gain on sale of ownership interest in a subsidiary company***

On March 31, 2022, the Company and Denendeh Investments Incorporated (DII) entered into a share purchase agreement to increase DII's ownership interest in Northland Utilities Enterprises Ltd. (NUE) from 14 per cent to 50 per cent. NUE is an electric utility company operating in the Northwest Territories, Canada and was a subsidiary of ATCO Electric Ltd. The change in ownership interest was accomplished through the Company's sale to DII of a 36 per cent ownership interest in NUE for proceeds, net of cash disposed, of $8 million. The transaction resulted in the Company and DII each having a 50 per cent ownership interest in NUE. The sale of ownership interest resulted in a gain on sale of $3 million (after-tax and NCI). As the gain on sale was not in the normal course of business, it was excluded from adjusted earnings.

## 4. REVENUES

The Company disaggregates revenues based on the nature of revenue streams. The disaggregation of revenues by each operating segment for the three months ended March 31 is shown below:

| **2023** / **2022** | Structures & Logistics | Utilities Electricity (1) | Utilities Natural Gas (1) | Utilities Total | Energy Infrastructure | Corporate & Other (2), (3) | Consolidated |
|---|---|---|---|---|---|---|---|
| **Revenue Streams** | | | | | | | |
| ***Rendering of Services*** | | | | | | | |
| Distribution services | **–** | **167** | **354** | **521** | **–** | **–** | **521** |
| | – | 176 | 364 | 540 | – | – | 540 |
| Transmission services | **–** | **167** | **87** | **254** | **–** | **–** | **254** |
| | – | 184 | 87 | 271 | – | – | 271 |
| Modular structures - services | **65** | **–** | **–** | **–** | **–** | **–** | **65** |
| | 70 | – | – | – | – | – | 70 |
| Logistics and facility operations and maintenance services | **22** | **–** | **–** | **–** | **–** | **–** | **22** |
| | 26 | – | – | – | – | – | 26 |
| Lodging and support | **36** | **–** | **–** | **–** | **–** | **–** | **36** |
| | 25 | – | – | – | – | – | 25 |
| Customer contributions | **–** | **9** | **5** | **14** | **–** | **–** | **14** |
| | – | 8 | 6 | 14 | – | – | 14 |
| Franchise fees | **–** | **10** | **98** | **108** | **–** | **–** | **108** |
| | – | 10 | 101 | 111 | – | – | 111 |
| Retail electricity and natural gas services | **–** | **–** | **–** | **–** | **–** | **99** | **99** |
| | – | – | – | – | – | 89 | 89 |
| Storage and industrial water | **–** | **–** | **–** | **–** | **19** | **–** | **19** |
| | – | – | – | – | 11 | – | 11 |
| Total rendering of services | **123** | **353** | **544** | **897** | **19** | **99** | **1,138** |
| | 121 | 378 | 558 | 936 | 11 | 89 | 1,157 |
| ***Sale of Goods*** | | | | | | | |
| Electricity generation and delivery | **–** | **–** | **–** | **–** | **28** | **–** | **28** |
| | – | – | – | – | 7 | – | 7 |
| Commodity sales | **–** | **–** | **–** | **–** | **30** | **5** | **35** |
| | – | – | – | – | 26 | 3 | 29 |
| Modular structures - goods | **56** | **–** | **–** | **–** | **–** | **–** | **56** |
| | 39 | – | – | – | – | – | 39 |
| Total sale of goods | **56** | **–** | **–** | **–** | **58** | **5** | **119** |
| | 39 | – | – | – | 33 | 3 | 75 |
| ***Lease income*** | | | | | | | |
| Finance lease | **–** | **–** | **–** | **–** | **3** | **–** | **3** |
| | – | – | – | – | 4 | – | 4 |
| Operating lease | **47** | **–** | **–** | **–** | **–** | **–** | **47** |
| | 41 | – | – | – | – | – | 41 |
| Total lease income | **47** | **–** | **–** | **–** | **3** | **–** | **50** |
| | 41 | – | – | – | 4 | – | 45 |
| ***Other*** | **–** | **24** | **12** | **36** | **15** | **–** | **51** |
| | 1 | 21 | 5 | 26 | 6 | 1 | 34 |
| **Total** | **226** | **377** | **556** | **933** | **95** | **104** | **1,358** |
| | 202 | 399 | 563 | 962 | 54 | 93 | 1,311 |

*(1) For the three months ended March 31, 2023, Electricity and Natural Gas segments include $137 million of unbilled revenue (2022 - $134 million). At March 31, 2023, $137 million of the unbilled revenue is included in accounts receivable and contract assets (2022 - $134 million).*

*(2) For the three months ended March 31, 2023, Corporate & Other segment includes $45 million of unbilled revenue (2022 - $58 million) from retail electricity and natural gas energy services. At March 31, 2023, $45 million of the unbilled revenue is included in accounts receivable and contract assets (2022 - $58 million).*

*(3) Includes revenues from the Corporate & Other segment in Canadian Utilities and ATCO Ltd.*

## 5. EARNINGS PER SHARE

Earnings per Class I Non-Voting (Class I) and Class II Voting (Class II) Share are calculated by dividing the earnings attributable to Class I and Class II Shares by the weighted average shares outstanding. Diluted earnings per share are calculated using the treasury stock method, which reflects the potential exercise of stock options and vesting of shares under the Company's mid-term incentive plan (MTIP) on the weighted average Class I and Class II Shares outstanding.

The earnings and average number of shares used to calculate earnings per share for the three months ended March 31 are as follows:

| | **2023** | **2022** |
|---|---|---|
| **Average shares** | | |
| Weighted average shares outstanding | **113,624,269** | 114,142,446 |
| Effect of dilutive stock options | **43,780** | 37,930 |
| Effect of dilutive MTIP | **256,616** | 246,044 |
| Weighted average dilutive shares outstanding | **113,924,665** | 114,426,420 |
| **Earnings for earnings per share calculation** | | |
| Earnings for the period | **318** | 245 |
| Non-controlling interests | **(151)** | (117) |
| Earnings attributable to Class I and Class II Shares | **167** | 128 |
| **Earnings and diluted earnings per Class I and Class II Share** | | |
| Earnings per Class I and Class II Share | **$1.47** | $1.12 |
| Diluted earnings per Class I and Class II Share | **$1.47** | $1.12 |

## 6. MARKETABLE SECURITIES

In February 2023, the Company invested $290 million in marketable securities primarily consisting of publicly traded investment grade fixed income corporate and government bonds, private fixed income funds, bank loans and commercial mortgage funds. The Company's marketable securities are actively managed by an external investment manager.

The marketable securities are initially measured at cost and are subsequently measured at fair value through profit or loss (FVTPL). For the three months ended March 31, 2023, unrealized gains of $1 million and realized gains of $1 million were recognized and included in other costs and expenses in the unaudited interim consolidated statements of earnings.

## 7. PROPERTY, PLANT AND EQUIPMENT

A reconciliation of the changes in the carrying amount of property, plant and equipment is as follows:

| | Utility Transmission & Distribution | Energy Infrastructure | Land and Buildings | Construction Work-in-Progress | Rental Assets | Other | Total |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| December 31, 2022 | 22,292 | 613 | 1,075 | 770 | 854 | 929 | 26,533 |
| Additions | **10** | – | **2** | **277** | **44** | **3** | **336** |
| Transfers | **146** | **1** | **2** | **(152)** | – | **3** | – |
| Retirements and disposals | **(23)** | – | – | **(1)** | **(9)** | **(6)** | **(39)** |
| Acquisition (*Note 12)* | – | **641** | – | **46** | – | – | **687** |
| Foreign exchange rate adjustment | **(13)** | **2** | **6** | – | **7** | – | **2** |
| Changes to asset retirement costs | – | **9** | – | – | – | – | **9** |
| March 31, 2023 | **22,412** | **1,266** | **1,085** | **940** | **896** | **929** | **27,528** |
| **Accumulated depreciation** | | | | | | | |
| December 31, 2022 | 5,816 | 197 | 257 | – | 273 | 486 | 7,029 |
| Depreciation | **126** | **10** | **6** | – | **13** | **14** | **169** |
| Retirements and disposals | **(21)** | – | – | – | **(4)** | **(6)** | **(31)** |
| Foreign exchange rate adjustment | **(3)** | **2** | – | – | **1** | – | – |
| March 31, 2023 | **5,918** | **209** | **263** | – | **283** | **494** | **7,167** |
| **Net book value** | | | | | | | |
| December 31, 2022 | 16,476 | 416 | 818 | 770 | 581 | 443 | 19,504 |
| March 31, 2023 | **16,494** | **1,057** | **822** | **940** | **613** | **435** | **20,361** |

The additions to property, plant and equipment included $4 million of interest capitalized during construction for the three months ended March 31, 2023 (2022 - $2 million).

### PIONEER NATURAL GAS PIPELINE

On February 25, 2022, ATCO Gas and Pipelines Ltd., a wholly owned subsidiary of CU Inc., closed a transaction to transfer a 30 kilometre segment of the Pioneer Natural Gas Pipeline to Nova Gas Transmission Ltd. for $63 million. This asset was previously recorded as assets held-for-sale in prepaid expenses and other current assets in the consolidated balance sheets. The proceeds from sale are included in other investing activities in the unaudited interim consolidated statements of cash flows.

## 8. LONG-TERM DEBT

On January 3, 2023, Canadian Utilities Limited entered into an unsecured non-revolving credit facility consisting of two $355 million tranches to finance the acquisition of a portfolio of wind and solar assets and projects (see Note 12). The first and second $355 million tranches will mature on June 30, 2023 and July 3, 2024, respectively. Both tranches bear an interest rate of Canadian Dollar Overnight Rate (CDOR) plus an applicable margin.

## 9. CLASS I AND CLASS II SHARES

At March 31, 2023, there were 101,022,482 (December 31, 2022 - 101,369,144) Class I shares and 12,424,996 (December 31, 2022 - 12,543,434) Class II shares outstanding. In addition, there were 1,809,300 options to purchase Class I shares outstanding at March 31, 2023, under the Company's stock option plan (December 31, 2022 - 1,882,600).

### DIVIDENDS

The Company declared and paid cash dividends of $0.4756 per Class I and Class II share during the three months ended March 31, 2023 (2022 - $0.4617). The Company’s policy is to pay dividends quarterly on its Class I and Class II shares. The payment of any dividend is at the discretion of the Board and depends on the financial condition of the Company and other factors.

On April 13, 2023, the Company declared a second quarter dividend of $0.4756 per Class I and Class II share, payable on June 30, 2023 to share owners of record as of June 1, 2023.

### NORMAL COURSE ISSUER BID

On March 13, 2023, ATCO Ltd. began a normal course issuer bid (NCIB) to purchase up to 1,014,881 outstanding Class I shares. The bid expires on March 12, 2024. The prior year NCIB to purchase up to 1,011,907 outstanding Class I shares began on March 9, 2022 and expired on March 8, 2023.

During the three months ended March 31, 2023, 558,600 Class I shares were purchased for $23 million, resulting in in a decrease to share capital of $1 million and a decrease to retained earnings of $22 million (2022 - nil Class l shares were purchased).

## 10. CASH FLOW INFORMATION

### ADJUSTMENTS TO RECONCILE EARNINGS TO CASH FLOWS FROM OPERATING ACTIVITIES

Adjustments to reconcile earnings to cash flows from operating activities for the three months ended March 31 are summarized below.

| | 2023 | 2022 |
|---|---|---|
| Depreciation and amortization | **189** | 175 |
| Earnings from investment in associate company | **(5)** | (4) |
| Dividends received from associate company | **–** | 15 |
| Earnings from investment in joint ventures | **(21)** | (19) |
| Dividends and distributions received from investment in joint ventures | **17** | 3 |
| Income tax expense | **92** | 83 |
| Unrealized (gains) losses on derivative financial instruments | **(79)** | 15 |
| Contributions by customers for extensions to plant | **56** | 45 |
| Amortization of customer contributions | **(14)** | (14) |
| Net finance costs | **103** | 102 |
| Income taxes paid | **(13)** | (18) |
| Other | **(11)** | 13 |
| | **314** | 396 |

**CASH POSITION**

Cash position at March 31 is comprised of:

| | 2023 | 2022 |
|---|---|---|
| Cash | **706** | 1,173 |
| Short-term investments | **5** | 2 |
| Restricted cash [(1)] | **13** | 15 |
| Cash and cash equivalents | **724** | 1,190 |

*(1) Cash balances which are restricted under the terms of joint arrangement agreements are considered not available for general use by the Company.*

## 11. FINANCIAL INSTRUMENTS

**FAIR VALUE MEASUREMENT**

Financial instruments are measured at amortized cost or fair value. Fair value represents the estimated amounts at which financial instruments could be exchanged between knowledgeable and willing parties in an arm's length transaction. Determining fair value requires management judgment. The valuation methods used to determine the fair value of each financial instrument and its associated level in the fair value hierarchy is described below.

| Financial Instruments | Fair Value Method |
|---|---|
| **Measured at Amortized Cost** | |
| Cash and cash equivalents, accounts receivable and contract assets and accounts payable and accrued liabilities | Assumed to approximate carrying value due to their short-term nature. |
| Finance lease receivables | Determined using a risk-adjusted interest rate to discount future cash receipts (Level 2). |
| Long-term debt and long-term advances due from joint venture | Determined using quoted market prices for the same or similar issues. Where the market prices are not available, fair values are estimated using discounted cash flow analysis based on the Company's current borrowing rate for similar borrowing arrangements (Level 2). |
| **Measured at Fair Value** | |
| Marketable securities | Determined using quoted market prices for the same or similar securities or alternative pricing sources and models with inputs validated by publicly available market providers (Level 2). |
| Interest rate swaps | Determined using interest rate forward rate yield curves at period-end (Level 2). |
| Foreign currency contracts | Determined using quoted forward exchange rates at period-end (Level 2). |
| Commodity contracts | Determined using observable period-end forward curves and quoted spot market prices with inputs validated by publicly available market providers (Level 2). |
| | Determined using statistical techniques to derive period-end forward curves using unobservable inputs or extrapolation from spot or forward prices in certain commodity contracts (Level 3). |

### FINANCIAL INSTRUMENTS MEASURED AT AMORTIZED COST

The fair values of the Company’s financial instruments measured at amortized cost are as follows:

| | March 31, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| Recurring Measurements | Carrying Value | Fair Value | Carrying Value | Fair Value |
| **Financial Assets** | | | | |
| Finance lease receivables | **146** | **173** | 149 | 185 |
| Long-term advances due from joint venture [1] | **33** | **31** | 33 | 30 |
| **Financial Liabilities** | | | | |
| Long-term debt | **10,825** | **10,200** | 10,087 | 9,099 |

*(1) Long-term advances due from joint venture are recorded in other assets on the consolidated balance sheets.*

### FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

***Marketable Securities***

At March 31, 2023, the Company's marketable securities measured at fair value include publicly traded investment grade fixed income corporate and government bonds, private fixed income funds, bank loans and commercial mortgage funds (see Note 6).

***Derivatives Financial Instruments***

The Company's derivative instruments are measured at fair value. At March 31, 2023 and December 31, 2022, the following derivative instruments were outstanding:

- interest rate swaps for the purpose of limiting interest rate risk on the variable future cash flows of long-term debt;
- foreign currency forward contracts for the purpose of limiting exposure to exchange rate fluctuations; and
- natural gas and forward power sale and purchase contracts for the purpose of limiting exposure to electricity and natural gas market price movements.

The balance sheet classification and fair values of the Company's derivative financial instruments are as follows:

| | Level 2 | | Level 3 | | |
|---|---|---|---|---|---|
| | Subject to Hedge Accounting | | Subject to Hedge Accounting (1) | Not Subject to Hedge Accounting (2) | |
| Recurring Measurements | Interest Rate Swaps | Commodities (2) | Commodities | | Total Fair Value of Derivatives |
| **March 31, 2023** | | | | | |
| **Financial Assets** | | | | | |
| Prepaid expenses and other current assets | **5** | **125** | **–** | **14** | **144** |
| Other assets | **34** | **50** | **–** | **34** | **118** |
| **Financial Liabilities** | | | | | |
| Provisions and other current liabilities | **–** | **28** | **–** | **65** | **93** |
| Other liabilities | **10** | **16** | **9** | **3** | **38** |
| **December 31, 2022** | | | | | |
| **Financial Assets** | | | | | |
| Prepaid expenses and other current assets | 7 | 184 | – | 4 | 195 |
| Other assets | 46 | 91 | – | 14 | 151 |
| **Financial Liabilities** | | | | | |
| Provisions and other current liabilities | 1 | 36 | – | 98 | 135 |
| Other liabilities | 2 | 15 | 18 | 21 | 56 |

*(1) Derivative financial instruments related to renewable power purchase agreements in the Company's electricity generation business are calculated using an internal forecasting model. Inputs to the model (Level 3) to calculate fair value include electricity generation forecast volumes and extrapolated forward power prices.*

*(2) Derivative financial instruments related to customer contracts in the Company's retail electricity and natural gas business are calculated using an internal forecasting model. Inputs to the model (Level 3) to calculate fair value of derivatives include electricity and natural gas forecast consumption volumes.*

A reconciliation of the Company's derivative financial instruments classified as Level 3 for three months ended March 31, 2023 is summarized as follows:

| | Subject to Hedge Accounting | Not Subject to Hedge Accounting | Total |
|---|---|---|---|
| December 31, 2022 (1) | (18) | (101) | (119) |
| Settlement of derivative contracts | **–** | **12** | **12** |
| Gains recognized in earnings | **–** | **69** | **69** |
| Gains recognized in other comprehensive income | **9** | **–** | **9** |
| March 31, 2023 (1) | **(9)** | **(20)** | **(29)** |

*(1) Net financial (liabilities) assets classified as Level 3 at end of the period.*

For the three months ended March 31, the following realized and unrealized gains and losses on derivative financial instruments were recognized in the unaudited interim consolidated statements of earnings:

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Level 2 | Level 3 | Total | Level 2 | Level 3 | Total |
| **Realized gains (losses)** | | | | | | |
| Revenues | **(5)** | **–** | **(5)** | (3) | – | (3) |
| Fuel costs | **(4)** | **–** | **(4)** | 8 | – | 8 |
| Purchased power | **24** | **–** | **24** | 5 | – | 5 |
| Other costs and expenses | **4** | **(11)** | **(7)** | 6 | (7) | (1) |
| | **19** | **(11)** | **8** | 16 | (7) | 9 |
| **Unrealized gains (losses)** | | | | | | |
| Other costs and expenses | **(1)** | **80** | **79** | (3) | (12) | (15) |
| Total | **18** | **69** | **87** | 13 | (19) | (6) |

***Notional and maturity summary***

The notional value and maturity dates of the Company's derivative instruments outstanding are as follows:

| | Subject to Hedge Accounting | | | | Not Subject to Hedge Accounting | | |
|---|---|---|---|---|---|---|---|
| **Notional value and maturity** | **Interest Rate Swaps** | **Natural Gas (1)** | **Power (2)** | **Foreign Currency Forward Contracts** | **Natural Gas (1)** | **Power (2)** | **Foreign Currency Forward Contracts** |
| **March 31, 2023** | | | | | | | |
| Purchases (3) | **–** | **33,477,000** | **4,350,025** | **–** | **–** | **–** | **–** |
| Sales (3) | **–** | **836,389** | **9,158,783** | **–** | **24,021,005** | **2,579,597** | **–** |
| Currency | | | | | | | |
| Canadian dollars | **442** | **–** | **–** | **–** | **–** | **–** | **–** |
| Australian dollars | **725** | **–** | **–** | **–** | **–** | **–** | **–** |
| Mexican pesos | **–** | **–** | **–** | **–** | **–** | **–** | **23** |
| U.S. dollars | **–** | **–** | **–** | **2** | **–** | **–** | **1** |
| Maturity | **2023-2045** | **2023-2026** | **2023-2038** | **2023** | **2023-2027** | **2023-2027** | **2023** |
| **December 31, 2022** | | | | | | | |
| Purchases (3) | – | 35,272,100 | 4,234,062 | – | – | – | – |
| Sales (3) | – | 1,227,947 | 10,451,215 | – | 24,050,972 | 2,181,310 | – |
| Currency | | | | | | | |
| Canadian dollars | 443 | – | – | – | – | – | – |
| Australian dollars | 725 | – | – | – | – | – | – |
| Mexican pesos | – | – | – | – | – | – | 23 |
| U.S. dollars | – | – | – | 3 | – | – | 7 |
| Maturity | 2023-2045 | 2023-2026 | 2023-2038 | 2023 | 2023-2027 | 2023-2027 | 2023 |

*(1) Notional amounts for the natural gas purchase contracts are the maximum volumes that can be purchased over the terms of the contracts.*

*(2) Notional amounts for the forward power sale and purchase contracts are the commodity volumes committed in the contracts.*

*(3) Volumes for natural gas and power derivatives are in GJ and MWh, respectively.*

## 12. BUSINESS COMBINATION

On January 3, 2023, ATCO Power (2010) Ltd., a wholly owned subsidiary of Canadian Utilities Limited, acquired from Suncor Energy Inc. a portfolio of wind and solar assets and projects in Alberta and Ontario, Canada. The aggregate consideration paid on January 3, 2023 was $713 million, which included cash acquired of $38 million. In addition, the Company has estimated a post closing working capital adjustment of $16 million that is expected to be paid during the second quarter of 2023. Identifiable assets acquired and liabilities assumed are $691 million.

The transaction was financed primarily by an unsecured non-revolving credit facility issued by a syndicate of lenders (see Note 8). The acquisition was accounted for as a business acquisition and its results are included in the Energy Infrastructure operating segment.

The fair value calculation of the major classes of assets acquired and liabilities assumed is shown below.

| | |
|---|---|
| **Assets** | |
| Accounts receivable and contract assets | **10** |
| Property, plant and equipment | **641** |
| Construction work-in-progress | **46** |
| Intangible assets | **61** |
| Other assets | **9** |
| Right-of-use assets | **3** |
| Goodwill | **145** |
| **Total assets** | **915** |
| **Liabilities and non-controlling interest** | |
| Accounts payable and accrued liabilities | **(37)** |
| Deferred income tax liabilities | **(150)** |
| Lease liabilities | **(3)** |
| Other liabilities | **(7)** |
| Non-controlling interest | **(27)** |
| **Total liabilities and non-controlling interest** | **(224)** |
| **Total identifiable net assets acquired** | **691** |

From the date of acquisition, revenues of $27 million and earnings attributable to Class I and Class II shares of $5 million were included in the unaudited interim consolidated statements of earnings for the three months ended March 31, 2023. Transaction costs of $2 million for incremental legal and advisory services fees incurred were recognized as expenses during the fourth quarter ended December 31, 2022.