ATCO LTD.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management is responsible for preparing the consolidated financial statements of ATCO Ltd. (the Company) in accordance with International Financial Reporting Standards, which include amounts based on estimates and judgments. Management is also responsible for the preparation of the Management's Discussion and Analysis and other financial information contained in the Company's Annual Report, and ensures that it is consistent with the consolidated financial statements.

Management has established internal accounting and financial reporting control systems, which are subject to periodic review by the Company's internal auditors, to meet its responsibility for reliable and accurate reporting. Integral to these control systems are a code of ethics and management policies that provide guidance and direction to employees, as well as a system of corporate governance that provides oversight to the Company's operating, reporting and risk management activities.

The consolidated financial statements are approved by the Board of Directors on the recommendation of the Audit & Risk Committee. The Audit & Risk Committee is comprised entirely of independent Directors. The Audit & Risk Committee meets regularly with management and the independent auditors to review material accounting and financial reporting matters, to assure that management is carrying out its responsibilities and to review and approve the consolidated financial statements.

PricewaterhouseCoopers LLP, our independent auditors, are engaged to perform an audit of the consolidated financial statements and expresses a professional opinion on the results. The Independent Auditor's Report to the Share Owners appears on the following page. PricewaterhouseCoopers LLP have full and independent access to the Audit & Risk Committee and management to discuss their audit and related matters.

[Original signed by N.C. Southern]	[Original signed by K. Patrick]
Chair & Chief Executive Officer	Executive Vice President, Chief Financial & Investment Officer

February 28, 2024

Independent auditor’s report

To the Share Owners of ATCO Ltd.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of ATCO Ltd. and its subsidiaries (together, the Company) as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited

The Company’s consolidated financial statements comprise:

- the consolidated statements of earnings for the years ended December 31, 2023 and 2022;
- the consolidated statements of comprehensive income for the years ended December 31, 2023 and 2022;
- the consolidated balance sheets as at December 31, 2023 and 2022;
- the consolidated statements of changes in equity for the years ended December 31, 2023 and 2022;
- the consolidated statements of cash flows for the years ended December 31, 2023 and 2022; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of property, plant and equipment related to the Forty Mile wind project (Forty Mile property, plant and equipment) acquired in a business combination *Refer to note 11 – Property, plant and equipment, note 23 – Material judgments, estimates and assumptions, note 24 – Business combinations and other transactions and note 33 – Accounting policies to the consolidated financial statements.* On January 3, 2023, the Company acquired a renewable energy business, which consisted of a portfolio of wind and solar assets and projects, including the Forty Mile wind project. Management accounted for this transaction as a business combination using the acquisition method. Under this method, identifiable assets acquired and liabilities assumed are recorded at their respective fair values at the date of acquisition. The fair value of the Forty Mile property, plant and equipment makes up a significant portion of the Company's total acquired property, plant and equipment of $640 million. Management applied judgment in estimating the fair value of the Forty Mile property, plant and equipment. To estimate the fair value, management used the cost approach (valuation method), which involved the use of replacement cost new (RCN) assumptions for the property, plant and equipment acquired.	Our approach to addressing the matter included the following procedures, among others: • Tested how management estimated the fair value of the Forty Mile property, plant and equipment, which included the following: – Read the purchase and sale agreement. – Involved professionals with specialized skill and knowledge in the field of valuation to assist in (i) evaluating the appropriateness of management's valuation method, (ii) testing the underlying data used in the fair value calculations, and (iii) assessing the reasonableness of the RCN assumptions used by management. • Professionals with specialized skill and knowledge in the field of valuation were also used to develop an independent estimate of the fair value of the Forty Mile property, plant and equipment to further corroborate the reasonableness of management's estimate, and to compare the independent estimate to management's estimate.

Key audit matter	How our audit addressed the key audit matter
We considered this a key audit matter due to the judgment by management in estimating the fair value of the Forty Mile property, plant and equipment, including the use of RCN assumptions. This, in turn, led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence relating to the RCN assumptions used by management. The audit effort involved the use of professionals with specialized skill and knowledge in the field of valuation.	

Assessment of unbilled revenue related to the ATCO Energy Systems segment
 	
Refer to note 4 – Revenues and note 23 – Material judgments, estimates and assumptions to the consolidated financial statements.
 	
The Company had $132 million of unbilled revenue related to the ATCO Energy Systems segment as at December 31, 2023.
 	
The revenue recognized by the Company from the regulated distribution of natural gas and electricity includes an estimate of consumption by customers that has not yet been billed (unbilled revenue).
 	
The estimate is derived from unbilled gas and electricity distribution services supplied to customers and is based on historical consumption patterns. Management applies judgment to the measurement and value of the estimated consumption.
 	
We considered this a key audit matter due to (i) the significance of the unbilled revenue, (ii) the judgment applied by management to estimate the consumption and (iii) the significant auditor effort in performing procedures to test the estimated amount of unbilled revenue.
	Our approach to addressing the matter included the following procedures, among others:
	
	• Tested the reasonableness of the estimate of unbilled revenue through evidence obtained from events occurring up to the date of the auditor's report, which included the following:
	  – Tested a sample of billings made after December 31, 2023 and compared the relevant amounts of these billings to the corresponding estimate of unbilled revenue recorded.
	  – Agreed the pricing applied to a sample of billings to externally published rates.
	
	• Tested the operating effectiveness of internal controls relating to unbilled revenue, including information technology (IT) general controls of the relevant IT systems that management uses for billings.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis, which we obtained prior to the date of this auditor's report and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is Courtney Kolla.

[Original signed by “PricewaterhouseCoopers LLP”]

Chartered Professional Accountants

Calgary, Alberta
February 28, 2024

CONSOLIDATED STATEMENTS OF EARNINGS

(millions of Canadian Dollars except per share data)	Note	Year Ended December 31 2023	2022
Revenues	4	**4,741**	4,978
Costs and expenses			
Salaries, wages and benefits		**(644)**	(599)
Energy transmission and transportation		**(295)**	(271)
Plant and equipment maintenance		**(264)**	(245)
Fuel costs		**(126)**	(176)
Purchased power		**(261)**	(308)
Materials and consumables		**(471)**	(535)
Depreciation, amortization and impairment	11, 12, 17	**(811)**	(717)
Franchise fees		**(290)**	(328)
Property and other taxes		**(79)**	(74)
Derivative financial instruments gains (losses)	20	**220**	(165)
Other	5	**(319)**	(343)
		(3,340)	(3,761)
Earnings from investment in associate company	25	**22**	14
Earnings from investment in joint ventures	27	**72**	81
Operating profit		**1,495**	1,312
Interest income		**66**	45
Interest expense	6	**(500)**	(436)
Net finance costs		**(434)**	(391)
Earnings before income taxes		**1,061**	921
Income tax expense	7	**(242)**	(214)
Earnings for the year		**819**	707
Earnings attributable to:			
Class I and Class II Shares		**432**	370
Non-controlling interests	28	**387**	337
		819	707
Earnings per Class I and Class II Share	8	**$3.82**	$3.25
Diluted earnings per Class I and Class II Share	8	**$3.82**	$3.24

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year Ended December 31	
(millions of Canadian Dollars)	**Note**	**2023**	**2022**
Earnings for the year		**819**	707
Other comprehensive (loss) income, net of income taxes			
Items that will not be reclassified to earnings:			
Re-measurement of retirement benefits (1)	15	**1**	(2)
Items that are or may be reclassified subsequently to earnings:			
Cash flow hedges (2)	20	**(123)**	146
Foreign currency translation adjustment (3)		**(27)**	57
Share of other comprehensive (loss) income in associate company (3)	25	**(5)**	3
Share of other comprehensive income of joint ventures (3)	27	**3**	1
		(152)	207
Other comprehensive (loss) income		**(151)**	205
Comprehensive income for the year		**668**	912
Comprehensive income attributable to:			
Class I and Class II Shares		**340**	506
Non-controlling interests		**328**	406
		668	912

(1) Net of income taxes of nil for the year ended December 31, 2023 (2022 - nil).

(2) Net of income taxes of $38 million for the year ended December 31, 2023 (2022 - $(47) million).

(3) Net of income taxes of nil (2022 - nil).

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

		December 31	
(millions of Canadian Dollars)	**Note**	**2023**	**2022**
ASSETS			
Current assets			
Cash and cash equivalents	19	**288**	1,033
Marketable securities	9	**304**	-
Accounts receivable and contract assets	16	**890**	956
Finance lease receivables	17	**12**	11
Inventories	10	**114**	80
Prepaid expenses and other current assets	20	**228**	281
		1,836	2,361
Non-current assets			
Property, plant and equipment	11	**20,857**	19,504
Intangibles	12	**1,028**	870
Retirement benefit asset	15	**49**	24
Right-of-use assets	17	**114**	109
Goodwill	13	**242**	89
Investment in joint ventures	27	**260**	264
Investment in associate company	25	**464**	473
Finance lease receivables	17	**126**	138
Deferred income tax assets	7	**75**	64
Other assets	20	**307**	243
Total assets		**25,358**	24,139
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		**961**	1,161
Lease liabilities	17	**17**	16
Provisions and other current liabilities	20	**107**	240
Long-term debt	14	**531**	109
		1,616	1,526
Non-current liabilities			
Deferred income tax liabilities	7	**2,152**	1,843
Retirement benefit obligations	15	**244**	223
Customer contributions	16	**2,041**	1,989
Lease liabilities	17	**104**	99
Other liabilities	20	**186**	137
Long-term debt	14	**10,517**	9,978
Total liabilities		**16,860**	15,795
EQUITY			
Class I and Class II Share owners' equity			
Class I and Class II shares	18	**187**	179
Contributed surplus		**14**	10
Retained earnings		**4,216**	4,090
Accumulated other comprehensive income		**6**	97
		4,423	4,376
Non-controlling interests	28	**4,075**	3,968
Total equity		**8,498**	8,344
Total liabilities and equity		**25,358**	24,139

See accompanying Notes to Consolidated Financial Statements.

[Original signed by N.C. Southern]
DIRECTOR

[Original signed by N.M. Steinberg]
DIRECTOR

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 year	28	–	–	370	–	370	337	707
Other comprehensive income	28	–	–	–	136	136	69	205
Shares issued	28	–	–	–	–	–	21	21
Shares purchased and cancelled	18	(1)	–	(22)	–	(23)	–	(23)
Dividends [(1)]	18, 28	–	–	(211)	–	(211)	(308)	(519)
Share-based compensation		–	2	–	–	2	1	3
Changes in ownership interest in subsidiary company [(2)]		–	–	(9)	–	(9)	9	–
Other		–	–	–	–	–	1	1
December 31, 2022		179	10	4,090	97	4,376	3,968	8,344
Earnings for the year	28	–	–	**432**	–	**432**	**387**	**819**
Other comprehensive loss	28	–	–	–	**(92)**	**(92)**	**(59)**	**(151)**
Shares issued [(3)]	28	–	–	–	–	–	**27**	**27**
Sale of shares from MTIP Trust [(4)]	18, 28	**10**	**1**	–	–	**11**	**16**	**27**
Shares purchased and cancelled	18	**(3)**	–	**(64)**	–	**(67)**	–	**(67)**
Acquisition	24	–	–	–	–	–	**27**	**27**
Dividends [(1)]	18, 28	–	–	**(215)**	–	**(215)**	**(318)**	**(533)**
Share-based compensation	29	**1**	**3**	**(1)**	–	**3**	**1**	**4**
Changes in ownership interest in subsidiary company [(2)]		–	–	**(29)**	–	**(29)**	**29**	–
Other		–	–	**3**	**1**	**4**	**(3)**	**1**
December 31, 2023		**187**	**14**	**4,216**	**6**	**4,423**	**4,075**	**8,498**

(1) *For the year ended December 31, 2023, dividends attributable to non-controlling interests of $318 million (2022 - $308 million) include $27 million (2022 - $20 million) of dividends paid by Canadian Utilities Limited through the issuance of Class A shares under its dividend reinvestment program.*

(2) *For the year ended December 31, 2023, changes in ownership interest in subsidiary company is related to Canadian Utilities Limited's dividend reinvestment program.*

(3) *For the year ended December 31, 2023, shares issued attributable to non-controlling interests include $3 million (2022 - nil) in legal and other fees related to Canadian Utilities Limited's plan of arrangement to exchange Class B shares with Class A shares that was completed on December 15, 2023.*

(4) *For the year ended December 31, 2023, sale of shares from MTIP Trust included in non-controlling interests of $16 million (2022 - nil) is related to Canadian Utilities Limited's sale of Class A shares held in its MTIP Trust.*

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(millions of Canadian Dollars)	Note	Year Ended December 31 2023	2022
Operating activities			
Earnings for the year		**819**	707
Adjustments to reconcile earnings to cash flows from operating activities	19	**1,339**	1,542
Changes in non-cash working capital	19	**(193)**	147
Cash flows from operating activities		**1,965**	2,396
Investing activities			
Additions to property, plant and equipment		**(1,423)**	(1,435)
Proceeds on disposal of property, plant and equipment		**4**	5
Additions to intangibles		**(142)**	(148)
Acquisition, net of cash acquired	24	**(691)**	(41)
Proceeds on sale of ownership interest in a subsidiary company, net of cash disposed	3	**–**	8
Investment in joint ventures	27	**(7)**	(8)
Investment in marketable securities	9	**(300)**	–
Changes in non-cash working capital	19	**(60)**	52
Other	3, 11	**34**	71
Cash flows used in investing activities		**(2,585)**	(1,496)
Financing activities			
Net repayment of short-term debt	19	**–**	(206)
Issue of long-term debt	14, 19	**2,021**	724
Repayment of long-term debt	14, 19	**(1,051)**	(502)
Repayment of lease liabilities	17	**(21)**	(18)
Issue of shares by subsidiary company		**1**	1
Net purchase of Class I Shares	18	**(67)**	(23)
Proceeds from sale of Class I shares from MTIP Trust	18	**11**	–
Proceeds from sale of shares from subsidiary's MTIP Trust	28	**17**	–
Dividends paid to Class I and Class II Share owners	18	**(215)**	(211)
Dividends paid to non-controlling interests	28	**(291)**	(288)
Interest paid		**(485)**	(426)
Other		**(43)**	(4)
Cash flows used in financing activities		**(123)**	(953)
Decrease in cash position (1)		**(743)**	(53)
Foreign currency translation		**(2)**	(2)
Beginning of year		**1,033**	1,088
End of year	19	**288**	1,033

(1) Cash position includes $16 million which is not available for general use by the Company (2022 - $18 million).

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 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.

Effective July 1, 2023, ATCO Ltd. launched a branding initiative resulting in a change of its Utilities operating segment to ATCO Energy Systems and its Energy Infrastructure operating segment to ATCO EnPower. ATCO Energy Systems is the new global brand for gas and electrical utility services and ATCO EnPower is the new global brand for non-regulated energy businesses, including renewables, clean fuels, and energy storage (see Note 3). As this is a change in name of operating segments, there is no impact on the comparative amounts presented in the consolidated financial statements.

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:
    - ATCO Energy Systems (previously Utilities) (electricity and natural gas transmission and distribution, and international electricity operations);
    - ATCO EnPower (previously 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 consolidated financial statements include the accounts of ATCO Ltd. and its subsidiaries (see Note 26). The statements also include the accounts of a proportionate share of the Company's investments in joint ventures (see Note 27) and its investment in associate company (see Note 25). In these financial statements, "the Company" means ATCO Ltd., its subsidiaries, joint ventures and the associate company.

2. BASIS OF PRESENTATION

STATEMENT OF COMPLIANCE

The consolidated financial statements are prepared according to International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IFRS Accounting Standards).

The Board of Directors (Board) authorized these consolidated financial statements for issue on February 28, 2024.

BASIS OF MEASUREMENT

The 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. The Company's material accounting policies are described in Note 33.

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

FUNCTIONAL AND PRESENTATION CURRENCY

The consolidated financial statements are presented in Canadian dollars. Each entity within the Company determines its own functional currency based on the primary economic environment in which it operates.

USE OF JUDGMENTS AND ESTIMATES

Management makes judgments and estimates that could materially affect how policies are applied, how amounts in the consolidated financial statements are reported, and how contingent assets and liabilities are disclosed. Most often these judgments and estimates concern matters that are inherently complex and uncertain. Judgments and estimates are reviewed on an on-going basis; changes to accounting estimates are recognized prospectively. The material judgments, estimates and assumptions are described in Note 23.

ADOPTION OF NEW ACCOUNTING STANDARDS

In May 2023, the International Accounting Standards Board issued International Tax Reform - *Pillar Two Model Rules (Amendments to IAS 12)*, which amended IAS 12, *Income Taxes*. The amendments provide temporary relief for the mandatory exemption in the recognition of deferred income taxes arising from the implementation of Organisation for Economic Co-operation and Development's (OECD) Pillar Two model rules (such rules ensuring that large multinational corporations would be subject to a minimum 15 per cent income tax rate in every jurisdiction in which they operate). As different jurisdictions are expected to implement the OECD rules at different times, the amendments are intended to help ensure consistency within, and comparability across, financial statements. The amendments immediately became effective upon their issue and retrospectively in accordance with IAS 8, *Accounting Policies in Accounting Estimates and Errors.*

Pillar Two model rules have not been substantively enacted in the main jurisdictions where the Company operates (Canada, Australia, United States, Chile and Mexico). As such, the Company has adopted the temporary relief in the amendments beginning January 1, 2023 and the adoption did not have an impact to the Company for the year ended December 31, 2023.

The Company is actively monitoring the developments of the rules and will provide an additional update once relevant information is known, including eligibility to qualify with the safe harbor rules, as applicable, and the related impacts to income taxes can be reasonably estimated following their substantive enactments.

3. SEGMENTED INFORMATION

The Company's operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The CODM is comprised of the Chief Executive Officer, and the other members of the Executive Committee.

The accounting policies applied by the segments are the same as those applied by the Company, except for those used in the calculation of adjusted earnings. Intersegment transactions are measured at the exchange amount, as agreed to by the related parties.

Management has determined that the operating subsidiaries in the reportable segments below share similar economic characteristics, as such, they have been aggregated.

The descriptions and principal operating activities of the segments are as follows:

Structures & Logistics			The Structures & Logistics segment includes ATCO Structures & Logistics. This segment offers 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	**ATCO Energy Systems** (1)	**Electricity**	The ATCO Energy Systems (Electricity) segment includes ATCO Electric, which provides regulated electricity transmission and distribution services in northern and central east Alberta, the Yukon, the Northwest Territories and in the Lloydminster area of Saskatchewan, and the Company's 50 per cent ownership interest in LUMA Energy, LLC, which provides international electricity operations (see Note 27).
		Natural Gas	The ATCO Energy Systems (Natural Gas) segment includes ATCO Gas, ATCO Pipelines and ATCO Gas Australia. These businesses provide integrated natural gas transmission and distribution services throughout Alberta, in the Lloydminster area of Saskatchewan and in Western Australia.
	ATCO EnPower (2)		The ATCO EnPower segment includes ATCO Renewables (previously, ATCO Power (2010)), ATCO Next Energy (previously, ATCO Energy Solutions) and ATCO Power Australia. Together these businesses provide electricity generation, natural gas storage, industrial water solutions and related infrastructure development throughout Alberta, the Yukon, the Northwest Territories, Ontario, Australia, Mexico and Chile.
	Corporate & Other		Canadian Utilities Limited Corporate & Other includes intersegment eliminations and ATCO Energy, a retail electricity and natural gas business, and a whole-home solution provider.
Neltume Ports			The Neltume Ports segment includes the equity interest in Neltume Ports S.A., a leading port operator and developer based in South America. Neltume Ports operates eighteen port facilities and five port operation services businesses located in Chile, Uruguay, Argentina, Brazil and the United States.
Corporate & Other			ATCO Corporate & Other includes commercial real estate owned by the Company, intersegment eliminations, Ashcor, a business engaged in the processing and marketing of live ash and ash reclaimed from landfills, and Fresh Bites, a business engaged in food services.

(1) ATCO Energy Systems operating segment was previously reported as Utilities. It includes the collective results of the Electricity and the Natural Gas operating segments. Details of the results by operating segment included in ATCO Energy Systems are disclosed below.

(2) ATCO EnPower operating segment was previously reported as Energy Infrastructure.

Results by operating segment for the year ended December 31 are shown below:

2023 / 2022	**Structures & Logistics**	**Neltume Ports**	**Corporate & Other**	**Canadian Utilities Limited: ATCO Energy Systems** [1]	**Canadian Utilities Limited: ATCO EnPower**	**Canadian Utilities Limited: Corporate & Other**	**Canadian Utilities Limited: Consolidated**	**ATCO Consolidated**
Revenues - external	**926**	**–**	**19**	**3,174**	**279**	**343**	**3,796**	**4,741**
	929	–	1	3,362	234	452	4,048	4,978
Revenues - intersegment	**–**	**–**	**–**	**–**	**83**	**(83)**	**–**	**–**
	–	–	–	22	78	(100)	–	–
Revenues	**926**	**–**	**19**	**3,174**	**362**	**260**	**3,796**	**4,741**
	929	–	1	3,384	312	352	4,048	4,978
Operating expenses [2]	**(720)**	**–**	**7**	**(1,558)**	**(235)**	**(23)**	**(1,816)**	**(2,529)**
	(789)	–	18	(1,546)	(257)	(470)	(2,273)	(3,044)
Depreciation, amortization and impairment	**(77)**	**–**	**(9)**	**(662)**	**(48)**	**(15)**	**(725)**	**(811)**
	(66)	–	(9)	(610)	(20)	(12)	(642)	(717)
Earnings from investment in associate company	**–**	**22**	**–**	**–**	**–**	**–**	**–**	**22**
	–	14	–	–	–	–	–	14
Earnings from investment in joint ventures	**6**	**–**	**–**	**50**	**16**	**–**	**66**	**72**
	5	–	–	53	23	–	76	81
Net finance costs	**(16)**	**–**	**(12)**	**(371)**	**(26)**	**(9)**	**(406)**	**(434)**
	(8)	–	(12)	(368)	(9)	6	(371)	(391)
Earnings (loss) before income taxes	**119**	**22**	**5**	**633**	**69**	**213**	**915**	**1,061**
	71	14	(2)	913	49	(124)	838	921
Income tax (expense) recovery	**(44)**	**–**	**–**	**(132)**	**(14)**	**(52)**	**(198)**	**(242)**
	(16)	–	1	(227)	(10)	38	(199)	(214)
Earnings (loss) for the year	**75**	**22**	**5**	**501**	**55**	**161**	**717**	**819**
	55	14	(1)	686	39	(86)	639	707
Adjusted earnings (loss)	**90**	**22**	**5**	**340**	**26**	**(51)**	**315**	**432**
	61	14	–	379	19	(50)	348	423
Total assets	**1,283**	**454**	**463**	**20,033**	**2,550**	**575**	**23,158**	**25,358**
	1,147	473	545	19,507	1,342	1,125	21,974	24,139
Capital expenditures [3]	**198**	**–**	**28**	**1,213**	**139**	**8**	**1,360**	**1,586**
	204	–	10	1,137	234	12	1,383	1,597

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

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

(3) Includes additions to property, plant and equipment, intangibles and $21 million of interest capitalized during construction for the year ended December 31, 2023 (2022 - $14 million).

Results of the operating segments included in ATCO Energy Systems for the year ended December 31 are shown below:

2023 2022	ATCO Energy Systems Electricity	 Natural Gas	 Intersegment Eliminations	 Consolidated
Revenues - external	**1,429**	**1,745**	**–**	**3,174**
	1,493	1,869	–	3,362
Revenues - intersegment	**7**	**4**	**(11)**	**–**
	21	7	(6)	22
Revenues	**1,436**	**1,749**	**(11)**	**3,174**
	1,514	1,876	(6)	3,384
Operating expenses [(1)]	**(570)**	**(999)**	**11**	**(1,558)**
	(591)	(961)	6	(1,546)
Depreciation, amortization and impairment	**(339)**	**(323)**	**–**	**(662)**
	(321)	(289)	–	(610)
Earnings from investment in joint ventures	**50**	**–**	**–**	**50**
	53	–	–	53
Net finance costs	**(225)**	**(146)**	**–**	**(371)**
	(222)	(146)	–	(368)
Earnings before income taxes	**352**	**281**	**–**	**633**
	433	480	–	913
Income tax expense	**(65)**	**(67)**	**–**	**(132)**
	(100)	(127)	–	(227)
Earnings for the year	**287**	**214**	**–**	**501**
	333	353	–	686
Adjusted earnings	**190**	**150**	**–**	**340**
	199	180	–	379
Total assets	**10,990**	**9,045**	**(2)**	**20,033**
	10,644	8,865	(2)	19,507
Capital expenditures [(2)]	**630**	**583**	**–**	**1,213**
	566	571	–	1,137

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

(2) Includes additions to property, plant and equipment, intangibles and $15 million of interest capitalized during construction for the year ended December 31, 2023 (2022 - $12 million).

GEOGRAPHIC SEGMENTS

Financial information by geographic area for the year ended and as at December 31 is summarized below.

Revenues - external

	2023	2022
Canada	**4,008**	4,187
Australia	**472**	526
Other	**261**	265
Total	**4,741**	4,978

Non-current assets

	Property, Plant and Equipment		Intangible Assets		Other Assets [1]		Total	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Canada	**19,006**	17,759	**1,002**	845	**430**	413	**20,438**	19,017
Australia	**1,460**	1,431	**17**	16	**41**	45	**1,518**	1,492
South America	**52**	53	**1**	1	**453**	470	**506**	524
Other	**339**	261	**8**	8	**18**	12	**365**	281
Total	**20,857**	19,504	**1,028**	870	**942**	940	**22,827**	21,314

(1) Other assets exclude financial instruments, retirement benefit assets, deferred income tax assets and goodwill.

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 CODM to assess segment performance and allocate resources. Other accounts in the 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 year ended December 31 is shown below:

2023 2022	Structures & Logistics	Neltume Ports	Corporate & Other	Canadian Utilities Limited				ATCO Consolidated
				ATCO Energy Systems	ATCO EnPower	Corporate & Other	Consolidated	
Adjusted earnings (loss)	**90**	**22**	**5**	**340**	**26**	**(51)**	**315**	**432**
	61	14	–	379	19	(50)	348	423
Transition of managed IT services	–	–	–	**(5)**	–	–	**(5)**	**(5)**
	–	–	–	–	–	–	–	–
Unrealized gains (losses) on mark-to-market forward and swap commodity contracts	–	–	–	–	**1**	**96**	**97**	**97**
	–	–	–	–	–	(36)	(36)	(36)
Rate-regulated activities	–	–	–	**(43)**	–	–	**(43)**	**(43)**
	–	–	–	6	–	–	6	6
IT Common Matters decision	–	–	–	**(11)**	–	–	**(11)**	**(11)**
	–	–	–	(8)	–	–	(8)	(8)
Madeira additional income taxes	**(15)**	–	–	–	–	–	–	**(15)**
	–	–	–	–	–	–	–	–
Impairment (charge) reversal	–	–	–	**(22)**	–	**(1)**	**(23)**	**(23)**
	–	–	–	–	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)
Earnings (loss) attributable to Class I and Class II Shares	**75**	**22**	**5**	**259**	**27**	**44**	**330**	**432**
	61	14	(1)	361	21	(86)	296	370
Earnings attributable to non-controlling interests								**387**
								337
Earnings for the year								**819**
								707

The reconciliation of adjusted earnings and earnings for the operating segments included in ATCO Energy Systems for the year ended December 31 are shown below:

2023 2022	ATCO Energy Systems Electricity	 Natural Gas	 Total
Adjusted earnings	**190**	**150**	**340**
	199	180	379
Transition of managed IT services	**(1)**	**(4)**	**(5)**
	–	–	–
Rate-regulated activities	**(24)**	**(19)**	**(43)**
	(6)	12	6
IT Common Matters decision	**(6)**	**(5)**	**(11)**
	(5)	(3)	(8)
Impairment	**(10)**	**(12)**	**(22)**
	–	–	–
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	**149**	**110**	**259**
	175	186	361

Transition of managed IT services

For the year ended December 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 service 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 (operating activities) 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 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 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 Accounting Standards in the following ways:

	Timing Adjustment	Items	RRA Treatment	IFRS Accounting Standards Treatment
1.	Additional revenues billed in current year	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 years	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 years.	The Company recognizes the earnings from a regulatory decision pertaining to current and prior years 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.
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 year ended December 31, the significant timing adjustments as a result of the differences between rate-regulated accounting and IFRS Accounting Standards are as follows:

	2023	2022
Additional revenues billed in current year		
Future removal and site restoration costs (1)	**62**	61
Impact of colder temperatures (2)	**–**	2
Revenues to be billed in future years		
Deferred income taxes (3)	**(80)**	(56)
Impact of warmer temperatures (2)	**(17)**	–
Impact of inflation on rate base (4)	**(21)**	(34)
Settlement of regulatory decisions and other items		
Distribution rate relief (5)	**9**	55
Other (6)	**4**	(22)
	(43)	6

(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 years.

(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 years.

(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 year 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 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 year ended December 31, 2023, $9 million (after-tax and NCI) (2022 - $55 million (after-tax and NCI)) was billed to customers.

(6) In 2022, ATCO Electric Distribution recorded a decrease in earnings of $10 million (after-tax and NCI) related to payments of electricity transmission costs, and ATCO Gas Distribution recorded a decrease in earnings of $8 million (after-tax and NCI) related to payments of gas pipeline system load balancing 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 year ended December 31, 2023 was $11 million (after-tax and NCI) (2022 - $8 million (after-tax and NCI)).

Madeira additional income taxes

For the years 2009 to 2016, ATCO Frontec Europa Kft, a wholly owned subsidiary of ATCO Structures & Logistics Ltd., had income that was attributable to Madeira, Portugal and qualified for a special tax program, promoted and administered by the Portuguese Tax Authority (PTA). Income tax rates between 4 per cent to 5 per cent were paid and applied in those years. These rates were confirmed with binding tax rulings from both the Hungarian and Portuguese authorities. In December 2023, the PTA issued reassessment notices following the European Commission's (EU) determination that the Madeira Free Trade Zone Regime III constituted state aid that does not comply with EU guidelines and mandated the PTA to collect taxes at normal Portuguese tax rates for the aforementioned years. The reassessment notices resulted in a reduction of earnings of $15 million and was comprised of an increase in current income taxes of $13 million (see Note 7) and additional interest expense of $2 million. As the additional taxes and interest were not in the normal course of business and were a one-time item, they have been excluded from adjusted earnings.

Impairments

2023 Impairment charges

For the year ended December 31, 2023, impairments of $23 million (after-tax and NCI) were recognized, relating to assets that no longer represent value to the Company.

Of these impairments, $17 million (after-tax and NCI) relates to impairments of certain computer software assets which are not expected to be used in the business (see Note 12), and $4 million (after-tax and NCI) relates to certain electricity generation assets in ATCO Electric Transmission which had been removed from service (see Note 11). As the impairments are not in the normal course of business, the charges were excluded from adjusted earnings.

2022 Reversal of impairment

In 2022, a reversal of impairment of $2 million (after-tax and NCI) was recorded relating to ATCO EnPower's joint venture investment in the Osborne electricity cogeneration facility located in Southern Australia. The reversal resulted from an improvement in the future outlook for power market prices leading to the extension of the facility's power purchase agreement.

As the reversal relates to a previous impairment, it has been excluded from adjusted earnings.

Alberta Utilities Commission (AUC) enforcement proceeding

In 2022, the Company recognized costs of $14 million (after-tax and NCI) related to an AUC enforcement proceeding. As this proceeding was 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 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 year ended December 31 is shown below:

2023 2022	Structures & Logistics	ATCO Energy Systems [1] Electricity [3]	 Natural Gas [3]	 Total	ATCO EnPower [2]	Corporate & Other [4], [5]	Consolidated
Revenue Streams							
Rendering of Services							
Distribution services	**–**	**622**	**1,076**	**1,698**	**–**	**–**	**1,698**
	–	609	1,187	1,796	–	–	1,796
Transmission services	**–**	**637**	**347**	**984**	**–**	**–**	**984**
	–	724	337	1,061	–	–	1,061
Modular structures - services	**229**	**–**	**–**	**–**	**–**	**–**	**229**
	339	–	–	–	–	–	339
Logistics and facility operations and maintenance services	**83**	**–**	**–**	**–**	**–**	**–**	**83**
	123	–	–	–	–	–	123
Lodging and support	**156**	**–**	**–**	**–**	**–**	**–**	**156**
	97	–	–	–	–	–	97
Customer contributions	**–**	**34**	**26**	**60**	**–**	**–**	**60**
	–	33	22	55	–	–	55
Franchise fees	**–**	**37**	**253**	**290**	**–**	**–**	**290**
	–	36	292	328	–	–	328
Retail electricity and natural gas services	**–**	**–**	**–**	**–**	**–**	**329**	**329**
	–	–	–	–	–	431	431
Storage and industrial water	**–**	**–**	**–**	**–**	**80**	**–**	**80**
	–	–	–	–	66	–	66
Total rendering of services	**468**	**1,330**	**1,702**	**3,032**	**80**	**329**	**3,909**
	559	1,402	1,838	3,240	66	431	4,296
Sale of Goods							
Electricity generation and delivery	**–**	**–**	**–**	**–**	**114**	**–**	**114**
	–	–	–	–	46	–	46
Commodity sales	**–**	**–**	**–**	**–**	**53**	**26**	**79**
	–	–	–	–	80	17	97
Modular structures - goods	**251**	**–**	**–**	**–**	**–**	**–**	**251**
	193	–	–	–	–	–	193
Total sale of goods	**251**	**–**	**–**	**–**	**167**	**26**	**444**
	193	–	–	–	126	17	336
Lease income							
Finance lease	**–**	**6**	**–**	**6**	**8**	**–**	**14**
	–	–	–	–	14	–	14
Operating lease	**207**	**–**	**–**	**–**	**–**	**–**	**207**
	176	–	–	–	–	–	176
Total lease income	**207**	**6**	**–**	**6**	**8**	**–**	**221**
	176	–	–	–	14	–	190
Other	**–**	**93**	**43**	**136**	**24**	**7**	**167**
	1	91	31	122	28	5	156
Total	**926**	**1,429**	**1,745**	**3,174**	**279**	**362**	**4,741**
	929	1,493	1,869	3,362	234	453	4,978

(1) ATCO Energy Systems operating segment was previously reported as Utilities.

(2) ATCO EnPower operating segment was previously reported as Energy Infrastructure.

(3) For the year ended December 31, 2023, ATCO Energy Systems segment includes $132 million of unbilled revenue (2022 - $180 million). At December 31, 2023, $132 million of the unbilled revenue is included in accounts receivable and contract assets (2022 - $180 million).

(4) For the year ended December 31, 2023, Corporate & Other segment includes $40 million of unbilled revenue (2022 - $63 million) from retail electricity and natural gas energy services. At December 31, 2023, $40 million of the unbilled revenue is included in accounts receivable and contract assets (2022 - $63 million).

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

Remaining performance obligations

The Company is party to performance obligations, which have a duration of more than one year, are not subject to the Right-to-Invoice practical expedient, and do not include variable consideration which is constrained (remaining performance obligations). At December 31, 2023, the most significant remaining performance obligations are as follows:

(i) the Company's 35-year service agreement to operate the Fort McMurray 500 kV Transmission line that amounts to $0.8 billion (2022 - $0.8 billion). The remaining duration of the agreement is 31 years. The Company expects that approximately 2 per cent of the amount will be recognized as revenue during the year ending December 31, 2024, subject to satisfaction of related performance obligations;

(ii) provision of storage and industrial water services over the life of the contracts that in aggregate approximates $0.4 billion (2022 - $0.3 billion). The remaining duration of the contracts range between 5 to 24 years. The Company expects that approximately 20 per cent of the amount will be recognized as revenue during the year ending December 31, 2024; and

(iii) manufacturing of transportable workforce housing and space rental products under the terms of fixed price contracts that in aggregate approximates $0.1 billion (2022 - $0.1 billion). The remaining duration of the contracts range between 1 to 2 years. The Company expects that approximately 77 per cent will be recognized as revenue during the year ending December 31, 2024.

5. OTHER COSTS AND EXPENSES

Other costs and expenses include rent, utilities, goods and services such as professional fees, contractor costs, technology-related expenses, advertising, and other general and administrative expenses. For the year ended December 31, 2023, other costs and expenses also included income from emission credits and allowances of $17 million (2022 - nil). For the year ended December 31, 2022, other costs and expenses included expenses related to the AUC Enforcement proceeding of $28 million and gain on sale of ownership interest in a subsidiary company of $7 million.

6. INTEREST EXPENSE

Interest expense primarily arises from interest on long-term debentures. The components of interest expense for the year ended December 31 are summarized below.

	2023	2022
Long-term debt	**474**	417
Short-term debt	**23**	11
Retirement benefits net interest expense *(Note 15)*	**7**	7
Amortization of deferred financing charges	**7**	4
Interest expense on lease liabilities *(Note 17)*	**4**	3
Other	**6**	8
	521	450
Less: interest capitalized *(Notes 11, 12)*	**(21)**	(14)
	500	436

Borrowing costs capitalized to property, plant and equipment and intangibles during 2023 were calculated by applying a weighted average interest rate of 4.71 per cent (2022 - 3.93 per cent) to expenditures on qualifying assets.

7. INCOME TAXES

INCOME TAX EXPENSE

The income tax rate for 2023 is 23.0 per cent (2022 - 23.0 per cent).

The components of income tax expense for the year ended December 31 are summarized below.

	2023	2022
Current income tax expense		
Canada	**19**	39
Australia	**17**	15
United States	**–**	2
Portugal	**13**	–
Chile	**(2)**	(1)
Puerto Rico	**5**	1
Other	**1**	–
Adjustment in respect of prior years	**(7)**	(3)
	46	53
Deferred income tax expense		
Reversal of temporary differences	**200**	158
Adjustment in respect of prior years	**(4)**	3
	196	161
	242	214

The reconciliation of statutory and effective income tax expense for the year ended December 31 is as follows:

	2023		2022	
Earnings before income taxes	**1,061**	**%**	921	%
Income taxes, at statutory rates	**244**	**23.0**	212	23.0
Equity earnings	**(20)**	**(1.9)**	(20)	(2.3)
Foreign tax rate variance	**9**	**0.9**	8	0.9
Non-deductible items	**2**	**0.2**	8	0.9
Tax cost on equity preferred share financing	**7**	**0.7**	6	0.7
Previously unrecognized deferred income taxes	**(6)**	**(0.6)**	1	0.1
Investment tax credit	**(2)**	**(0.2)**	–	–
Retroactive foreign tax rate change	**13**	**1.2**	–	–
Other	**(5)**	**(0.5)**	(1)	(0.1)
	242	**22.8**	214	23.2

INCOME TAX ASSETS AND LIABILITIES

Income tax assets and liabilities in the consolidated balance sheets at December 31 are summarized below.

	Balance Sheet Presentation	2023	2022
Income tax assets			
Current	Prepaid expenses and other current assets	**55**	35
Deferred	Deferred income tax assets	**75**	64
		130	99
Income tax liabilities			
Current	Provisions and other current liabilities	**23**	13
Deferred	Deferred income tax liabilities	**2,152**	1,843
		2,175	1,856

DEFERRED INCOME TAXES

The changes in deferred income tax assets are as follows:

Movements	Property, Plant and Equipment	Intangibles	Reserves	Tax Loss Carry Forwards and Tax Credits	Retirement Benefit Obligations	Other	Total
December 31, 2021	(2)	–	(6)	47	10	5	54
Credit (charge) to earnings	–	–	9	(8)	1	–	2
Credit (charge) to other comprehensive income	–	–	3	–	(1)	–	2
Other	–	–	–	–	–	6	6
December 31, 2022	(2)	–	6	39	10	11	64
(Charge) credit to earnings	**–**	**(1)**	**(4)**	**14**	**(3)**	**8**	**14**
Credit to other comprehensive income	**–**	**–**	**–**	**–**	**1**	**–**	**1**
Foreign exchange adjustment	**–**	**–**	**–**	**1**	**–**	**1**	**2**
Other	**–**	**–**	**–**	**–**	**–**	**(6)**	**(6)**
December 31, 2023	**(2)**	**(1)**	**2**	**54**	**8**	**14**	**75**

The Company does not expect any deferred income tax assets to reverse within the next twelve months.

The changes in deferred income tax liabilities are as follows:

Movements	Property, Plant and Equipment	Intangibles	Reserves	Tax Loss Carry Forwards and Tax Credits	Retirement Benefit Obligations	Other	Total
December 31, 2021	1,762	105	(25)	(89)	(80)	(49)	1,624
Charge (credit) to earnings	158	18	(10)	(19)	1	15	163
Charge (credit) to other comprehensive income	–	–	51	–	(2)	–	49
Acquisition (*Note 24*)	–	6	(1)	–	–	1	6
Foreign exchange adjustment	2	–	–	–	–	–	2
Other	(13)	(1)	–	–	–	13	(1)
December 31, 2022	1,909	128	15	(108)	(81)	(20)	1,843
Charge (credit) to earnings	**194**	**4**	**53**	**(43)**	**(3)**	**5**	**210**
Charge (credit) to other comprehensive income	**–**	**–**	**(60)**	**–**	**1**	**22**	**(37)**
Acquisition (*Note 24*)	**135**	**13**	**(4)**	**–**	**–**	**1**	**145**
Foreign exchange adjustment	**(3)**	**–**	**–**	**–**	**–**	**1**	**(2)**
Other	**–**	**–**	**–**	**(2)**	**–**	**(5)**	**(7)**
December 31, 2023	**2,235**	**145**	**4**	**(153)**	**(83)**	**4**	**2,152**

The Company does not expect any of its deferred income tax liabilities to reverse within the next twelve months.

At December 31, 2023, the Company had $786 million of non-capital tax losses and credits which expire between 2024 and 2042 and $162 million of tax losses which do not expire. The Company recognized deferred income tax assets of $207 million for these losses and credits.

The Company had $119 million of aggregate temporary differences for investments in subsidiaries, branches and joint ventures for which deferred income tax liabilities were not recognized (2022 - $109 million). The Company had $141 million of aggregate temporary differences for which no deferred tax assets were recognized (2022 - $123 million).

8. 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 held in the mid-term incentive plan (MTIP) Trust on the weighted average Class I and Class II Shares outstanding. In May 2023, all of the shares held in the MTIP Trust were sold (see Note 18).

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

	2023	2022
Average shares		
Weighted average shares outstanding	**113,216,263**	113,957,680
Effect of dilutive stock options	**65,188**	60,868
Effect of dilutive shares held in MTIP Trust	**96,590**	250,772
Weighted average dilutive shares outstanding	**113,378,041**	114,269,320
Earnings for earnings per share calculation		
Earnings for the year	**819**	707
Non-controlling interests	**(387)**	(337)
Earnings attributable to Class I and Class II Shares	**432**	370
Earnings and diluted earnings per Class I and Class II Share		
Earnings per Class I and Class II Share	**$3.82**	$3.25
Diluted earnings per Class I and Class II Share	**$3.82**	$3.24

9. MARKETABLE SECURITIES

In February 2023, the Company commenced investing in marketable securities with the objective of delivering competitive returns and maintaining a high degree of liquidity. Marketable securities at December 31, 2023 are comprised of:

	2023
Corporate bonds and debentures	**125**
Private fixed income funds	**102**
Bank loans and commercial mortgage funds	**77**
	304

The marketable securities are initially measured at cost and are subsequently measured at fair value through profit or loss (FVTPL). For the year ended December 31, 2023, realized gains of $10 million were recognized in interest income and unrealized gains of $4 million, resulting from fair value changes, were recognized in other costs and expenses in the consolidated statements of earnings.

10. INVENTORIES

Inventories at December 31 are comprised of:

	2023	2022
Natural gas and fuel in storage	**37**	16
Raw materials and consumables (1)	**32**	29
Work-in-progress (1)	**20**	24
Finished goods (1)	**8**	11
Emission credits and allowances *(Note 5)*	**17**	–
	114	80

(1) On December 7, 2022, ATCO Structures & Logistics Ltd., a subsidiary of the Company, acquired a 100 per cent ownership interest in Triple M Housing Ltd. Inventories acquired amounted to $6 million in raw materials and consumables, $1 million in work-in-progress and $2 million in finished goods (see Note 24).

For the year ended December 31, 2023, inventories (excluding emission credits and allowances) of $239 million were used in operations and recognized in costs and expenses in the consolidated statements of earnings (2022 - $256 million).

Inventories with a carrying value of $33 million were pledged as security for liabilities at December 31, 2023 (2022 - $15 million).

11. 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 Generation & Storage [1]	Land and Buildings	Construction Work-in-Progress	Rental Assets	Other	Total
Cost							
December 31, 2021	21,771	500	1,062	445	718	903	25,399
Additions	58	–	9	1,195	190	7	1,459
Transfers	693	102	16	(861)	4	46	–
Retirements and disposals	(123)	(5)	(5)	(10)	(75)	(30)	(248)
Sale of ownership interest in a subsidiary company (*Note 3*)	(111)	–	(8)	(2)	–	(5)	(126)
Acquisition (*Note 24)*	–	–	–	–	–	2	2
Foreign exchange rate adjustment	4	11	1	3	17	6	42
Changes to asset retirement costs	–	5	–	–	–	–	5
December 31, 2022	22,292	613	1,075	770	854	929	26,533
Additions	**55**	**47**	**4**	**1,158**	**176**	**18**	**1,458**
Transfers	**1,110**	**211**	**18**	**(1,401)**	**8**	**54**	**–**
Retirements and disposals	**(104)**	**–**	**(7)**	**(2)**	**(48)**	**(39)**	**(200)**
Acquisition (*Note 24)*	**–**	**640**	**–**	**–**	**–**	**–**	**640**
Foreign exchange rate adjustment	**(32)**	**12**	**(1)**	**(1)**	**(11)**	**(3)**	**(36)**
Changes to asset retirement costs	**–**	**25**	**–**	**–**	**–**	**–**	**25**
December 31, 2023	**23,321**	**1,548**	**1,089**	**524**	**979**	**959**	**28,420**
Accumulated depreciation							
December 31, 2021	5,478	184	238	–	256	452	6,608
Depreciation	500	15	24	–	46	60	645
Retirements and disposals	(111)	(5)	(2)	–	(32)	(29)	(179)
Sale of ownership interest in subsidiary company (*Note 3*)	(52)	–	(3)	–	–	(2)	(57)
Foreign exchange rate adjustment	1	3	–	–	3	5	12
December 31, 2022	5,816	197	257	–	273	486	7,029
Depreciation and impairment	**526**	**40**	**24**	**–**	**54**	**62**	**706**
Retirements and disposals	**(99)**	**–**	**(7)**	**–**	**(25)**	**(37)**	**(168)**
Foreign exchange rate adjustment	**(6)**	**3**	**–**	**–**	**(4)**	**3**	**(4)**
December 31, 2023	**6,237**	**240**	**274**	**–**	**298**	**514**	**7,563**
Net book value							
December 31, 2022	16,476	416	818	770	581	443	19,504
December 31, 2023	**17,084**	**1,308**	**815**	**524**	**681**	**445**	**20,857**

(1) Energy Generation & Storage property, plant and equipment was previously reported as Energy Infrastructure property, plant and equipment.

The additions to property, plant and equipment included $15 million of interest capitalized during construction for the year ended December 31, 2023 (2022 - $9 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 kilometer segment of the Pioneer Natural Gas Pipeline to Nova Gas Transmission Ltd. for $63 million. The proceeds from sale are included in other investing activities in the consolidated statements of cash flows.

IMPAIRMENT

In 2023, the Company recognized an impairment of $8 million related to certain electricity generation assets in ATCO Electric Transmission. These assets had been removed from service and it was determined that they no longer had any remaining value. The assets were derecognized from property, plant and equipment on the consolidated balance sheet and the impairment was charged to depreciation, amortization and impairment expense in the consolidated statement of earnings.

12. INTANGIBLES

Intangible assets consist mainly of computer software not directly attributable to the operation of property, plant and equipment and land rights. A reconciliation of the changes in the carrying amount of intangible assets is as follows:

	Computer Software	Land Rights	Work-in-Progress	Other	Total
Cost					
December 31, 2021	459	437	156	60	1,112
Additions	15	–	139	–	154
Transfers	69	21	(93)	3	–
Acquisition (*Note 24*)	–	–	–	28	28
Retirements	(40)	–	–	(1)	(41)
Sale of ownership interest in subsidiary company *(Note 3)*	(1)	(1)	(2)	–	(4)
Foreign exchange rate adjustment	(1)	–	–	–	(1)
December 31, 2022	501	457	200	90	1,248
Additions	**10**	–	**138**	**2**	**150**
Acquisition (*Note 24*)	–	–	**46**	**61**	**107**
Transfers	**44**	**18**	**(74)**	**12**	–
Retirements	**(45)**	–	**(33)**	**(1)**	**(79)**
Related party transfer	**(1)**	–	–	**1**	–
Foreign exchange rate adjustment	–	–	–	**1**	**1**
December 31, 2023	**509**	**475**	**277**	**166**	**1,427**
Accumulated amortization					
December 31, 2021	255	65	–	40	360
Amortization	52	5	–	3	60
Retirements	(40)	–	–	(1)	(41)
Foreign exchange rate adjustment	(1)	–	–	–	(1)
December 31, 2022	266	70	–	42	378
Amortization and impairment	**53**	**6**	**33**	**8**	**100**
Retirements	**(45)**	–	**(33)**	**(1)**	**(79)**
December 31, 2023	**274**	**76**	–	**49**	**399**
Net book value					
December 31, 2022	235	387	200	48	870
December 31, 2023	**235**	**399**	**277**	**117**	**1,028**

The additions to intangibles include interest capitalized during construction of $6 million for the year ended December 31, 2023 (2022 - $5 million).

IMPAIRMENTS

For the year ended December 31, 2023, impairments of $33 million were recorded in respect of certain computer software projects in construction work-in-progress. The charge represents computer software project costs, primarily in ATCO Energy Systems which no longer have any value to the Company. The assets were derecognized from intangible assets on the consolidated balance sheet and the impairment was charged to depreciation, amortization and impairment expense in the consolidated statement of earnings.

13. GOODWILL

The carrying value of goodwill for the ATCO Energy Systems, ATCO EnPower, and Structures & Logistics segments at December 31 is shown below.

	2023	2022
ATCO Energy Systems, Electricity (1)	**38**	38
ATCO Energy Systems, Natural Gas (1)	**33**	33
ATCO EnPower (2)	**141**	—
Structures & Logistics (3)	**26**	18
Corporate & Other	**4**	—
Carrying value	**242**	89

(1) ATCO Energy Systems operating segment was previously reported as Utilities.

(2) ATCO EnPower operating segment was previously reported as Energy Infrastructure. On January 3, 2023, ATCO Renewables Ltd. (previously, ATCO Power (2010) Ltd.), a wholly subsidiary of Canadian Utilities Limited, recorded goodwill of $141 million on the acquisition of a portfolio of wind and solar assets and projects from Suncor Energy Inc. (see Note 24).

(3) On December 7, 2022, ATCO Structures & Logistics Ltd., a subsidiary of the Company, recorded goodwill of $16 million on the acquisition of a 100 per cent ownership interest in Triple M Housing Ltd. (see Note 24).

ATCO Energy Systems, Electricity and Natural Gas segments

The recoverable amount of goodwill is measured based on each segment's fair value less costs of disposal, which is calculated using publicly available enterprise values and price-to-earnings multiples of comparable, actively traded companies.

The Company used average enterprise value-to-earnings before interest, taxes, depreciation, and amortization (EBITDA) multiples of 9.0 and 10.5 (2022 - 11.3 and 11.7) and price-to-earnings values of 14.0 and 17.9 (2022 - 21.3 and 19.7) for the Electricity and Natural gas segments, respectively, to calculate fair value less costs of disposal. The fair value measurement inputs are categorized in Level 3 of the fair value hierarchy.

At December 31, 2023 and 2022, each segment's fair value less costs of disposal was compared to its carrying value and was sufficient to support the carrying value of allocated goodwill.

ATCO EnPower, ATCO Renewables Ltd. CGU

The recoverable amount of goodwill is measured based on the cash generating unit's (CGU) fair value less costs of disposal, which is calculated using the CGU's EBITDA, enterprise value multiples specific to the CGU's asset base on the purchase price, and estimated costs of disposal.

The Company used an enterprise value-to-EBITDA multiple of 12.6 to calculate fair value less costs of disposal. The fair value measurement inputs are categorized in Level 3 of the fair value hierarchy.

At December 31, 2023, the CGU's fair value was sufficient to support the carrying value of its goodwill.

14. LONG-TERM DEBT

Long-term debt outstanding at December 31 is as follows:

	Effective Interest Rate	2023	2022
Corporate long-term debt			
CU Inc. debentures - unsecured	4.369% (2022 - 4.397%) [1]	**8,765**	8,525
CU Inc. other long-term obligation, due June 2025 - unsecured [2]	6.95% (2022 - 6.45%)	**7**	7
Canadian Utilities Limited debentures, 4.851%, due June 2052 - unsecured	4.899% (2022 - 4.899%)	**250**	250
Canadian Utilities Limited non-revolving credit facility, at CDOR rates, due July 2024 - unsecured	Floating [3]	**68**	–
Canadian Utilities Limited extendible revolving credit facility, at CORRA rates, due November 2025 - unsecured	Floating [3]	**268**	–
ATCO Ltd. extendible revolving credit facility, at CORRA rates, due November 2025 - unsecured	Floating [7]	**84**	84
ATCO Ltd. fixed-to-floating rate subordinated notes, due November 2078 - unsecured	5.50% [4]	**200**	200
		9,642	9,066
Subsidiaries and project finance long-term debt			
ATCO Power Australia (Karratha) Pty Ltd non-revolving credit facility, payable in Australian dollars, at BBSY rates, due June 2025, $39 million AUD (2022 - $45 million AUD)	Floating [3], [5]	**35**	42
ATCO Gas Australia Pty Ltd revolving credit facility, payable in Australian dollars, at BBSY rates, due August 2026, $350 million AUD (2022 - $350 million AUD) - unsecured	Floating [3], [5]	**327**	322
ATCO Gas Australia Pty Ltd revolving credit facility, payable in Australian dollars, at BBSY rates, due August 2024, $362 million AUD (2022 - $362 million AUD) - unsecured	Floating [3], [5]	**316**	334
Electricidad del Golfo, S. de R.L. de C.V. non-revolving credit facility, payable in Mexican pesos due November 2025, $335 million MXP (2022 - $335 million MXP)	11.31%	**27**	23
ATCO Next Energy Ltd. and ATCO Renewables Ltd. extendible revolving credit facility, at Canadian prime rates or CORRA, due December 2025 [6]	Floating [3]	**94**	88
ATCO Adelaide Wind Holdings Limited Partnership amortizing non-revolving credit facility, at CDOR, due December 2034	Floating [3], [5]	**88**	–
Deerfoot Barlow Solar Limited Partnership amortizing non-revolving credit facility, due June 2049	3.00%	**56**	–
Forty Mile Granlea Wind Limited Partnership amortizing debentures, due September 2033 to June 2046	5.963% [1]	**292**	–
ATCO Investments Ltd. mortgage, at BA rates, due March 2028	Floating [5]	**85**	88
ATCO Structures & Logistics Ltd. revolving credit facility, at Canadian prime rates or SOFR rates, due August 2025	Floating [7]	**86**	114
ATCO Structures & Logistics Pty credit facility, payable in Australian dollars, at BBSY rates, due July 2025, $37 million AUD (2022 - $38 million AUD)	Floating [7]	**33**	35
ATCO Sabinco S.A. credit facility, payable in Chilean pesos, at SOFR rates, due August 2025, $17 billion CLP (2022 - $17 billion CLP)	Floating [7]	**26**	27
		1,465	1,073
Total Corporate, Subsidiaries and Project Finance long-term debt		**11,107**	10,139
Less: deferred financing charges		**(59)**	(52)
		11,048	10,087
Less: amounts due within one year		**(531)**	(109)
		10,517	9,978

CORRA - Canadian Overnight Repo Rate Average *BBSY - Bank Bill Swap Benchmark Rate* *CDOR - Canadian Dollar Overnight Rate*
BA - Bankers' Acceptance *SOFR - Secured Overnight Financing Rate*

(1) Interest rate is the average effective interest rate weighted by principal amounts outstanding.

(2) In 2023, the expiry date of the CU Inc. other long-term obligation was extended from June 2024 to June 2025.

(3) During 2023, the above interest rates had additional margin fees at a weighted average rate of 0.94 per cent (2022 - 1.43 per cent). The margin fees are subject to escalation.

(4) The rate of 5.50 per cent is fixed for the period from November 1, 2018 to October 31, 2028. Starting November 1, 2028, on every interest reset date (February 1, May 1, August 1, November 1) of each year until November 1, 2048, the interest rate will be reset to the three-month BA plus 2.92 per cent. Starting November 1, 2048, on every interest reset date of each year until November 1, 2078, the interest rate will be reset to BA rate plus 3.67 per cent.

(5) Floating interest rates have been partially or completely hedged with interest rate swaps (see Note 20).

(6) In December 2023, ATCO Energy Solutions Ltd. and ATCO Power (2010) Ltd. were renamed to ATCO Next Energy Ltd. and ATCO Renewables Ltd., respectively.

(7) During 2023, the above interest rate had an additional margin fees at a weighed average of 1.19 per cent (2022 - 2.60 per cent). The margin fees are subject to escalation.

CORPORATE LONG-TERM DEBT ISSUANCES AND REPAYMENTS

CU Inc.

On September 20, 2023, CU Inc., a wholly owned subsidiary of Canadian Utilities Limited, issued $340 million of 5.088 per cent debentures maturing on September 20, 2053 (2022 - On September 14, 2022, CU Inc. issued $210 million of 4.773 per cent debentures maturing on September 14, 2052).

On May 1, 2023, CU Inc., repaid $100 million of 9.4 per cent debentures (2022 - On April 1, 2022, CU Inc. repaid $125 million of 9.92 per cent debentures).

Canadian Utilities Limited

On January 3, 2023, Canadian Utilities Limited entered into a non-revolving credit facility with a syndicate of lenders consisting of two $355 million tranches to initially finance the acquisition of a portfolio of wind and solar assets and projects (see Note 24). In June 2023, the first tranche was fully repaid. In December 2023, the second tranche was partially repaid. The remaining balance on the second tranche of $68 million at December 31, 2023 will mature on July 3, 2024 and bears interest at CDOR plus an applicable margin.

On June 30, 2023, Canadian Utilities Limited issued $268 million of long-term debt from an existing extendible revolving credit facility with a syndicate of lenders. The facility matures on November 30, 2025 and bears interest at CORRA plus an applicable margin.

On June 3, 2022, Canadian Utilities Limited issued $250 million of 4.851 per cent debentures maturing on June 3, 2052. Canadian Utilities Limited also repaid $200 million of 3.122 per cent debentures on November 9, 2022.

SUBSIDIARIES AND PROJECT FINANCE LONG-TERM DEBT ISSUANCES AND REPAYMENTS

Subsidiaries

On December 8, 2022, ATCO Next Energy Ltd. and ATCO Renewables Ltd., both wholly owned subsidiaries of Canadian Utilities Limited, entered into a $250 million extendible revolving credit facility maturing in December 2025 and a $50 million uncommitted revolving credit facility for letters of credit issuances with no set maturity date, with a syndicate of lenders. The facility bears interest at Canadian prime rates or CORRA plus an applicable margin.

Project finance

The Company generally maintains ownership and active management of contracted assets, such as electricity generation and energy storage assets. Project finance debt, is commonly used to finance contracted assets using the assets and underlying long-term contracts as support for repayment of the financing.

On May 25, 2023, ATCO Adelaide Wind Holdings Limited Partnership, an indirect wholly owned subsidiary of Canadian Utilities Limited, entered into a limited recourse non-revolving amortizing credit facility of $90 million with a bank lender (Adelaide Wind Project Finance Debt). The Adelaide Wind Project Finance Debt amortizes quarterly until December 2034 and bears interest at CDOR plus an applicable margin.

On July 7, 2023, Deerfoot Barlow Solar Limited Partnership, an indirect 49 per cent subsidiary of Canadian Utilities Limited, entered into a $78 million limited recourse non-revolving amortizing credit facility with a bank lender

(Deerfoot Barlow Solar Project Finance Debt). The amortizing credit facility bears a fixed interest rate of 3.00 per cent with quarterly repayments and matures on September 30, 2048.

On December 4, 2023, Forty Mile Granlea Wind Limited Partnership, an indirect wholly owned subsidiary of Canadian Utilities Limited, issued limited recourse amortizing debentures through a private placement consisting of $108 million of 5.555 per cent Series A debentures maturing on September 30, 2033, $159 million of 6.223 per cent Series B debentures and $25 million of 6.072 per cent of Series C debentures each of which mature on June 30, 2046 (collectively, Forty Mile Wind Project Finance Debt). Series A and Series C debentures require quarterly principal and interest repayments. Series B debentures only require quarterly interest payments until Series A's principal amount is fully paid.

The proceeds received from the Adelaide Wind Project Finance and Forty Mile Wind Project Finance Debt issuances were used to pay a portion of Canadian Utilities Limited's non-revolving credit facility that was used to finance the acquisition of wind and solar assets and projects.

PLEDGED ASSETS

Subsidiaries

The ATCO Next Energy Ltd. and ATCO Renewables Ltd. credit agreement is secured by their present and future properties, assets, and equity interests in certain subsidiaries and joint ventures.

The ATCO Investments Ltd. mortgage is secured by certain real estate assets it holds.

The ATCO Structures & Logistics Ltd. credit facility is secured by a general assignment of its present and future properties, assets, undertakings, and equity interests in certain subsidiaries and joint ventures.

At December 31, 2023, the book value of assets pledged to maintain the subsidiaries' credit facilities was $1,857 million (2022 - $1,574 million).

Project finance

The ATCO Power Australia (Karratha) Project Finance Debt is secured by certain assets of the Karratha power generation facility and an assignment of certain contracts and agreements. A guarantee has also been provided by Canadian Utilities Limited to the lender. The Karratha power generation facility is accounted for as a finance lease (see note 17).

The Adelaide Wind Project Finance Debt is secured by a pledge of Canadian Utilities Limited's partnership interest in ATCO Adelaide Wind Holdings Limited Partnership.

The Deerfoot Barlow Solar Project Finance Debt is secured by the assets of the Deerfoot and Barlow solar generation facilities and a pledge of Canadian Utilities Limited's partnership interest in Deerfoot Barlow Solar Limited Partnership.

The Forty Mile Wind Project Finance Debt is secured by the assets of the Forty Mile wind generation facility and a pledge of Canadian Utilities Limited's indirect partnership interest in Forty Mile Granlea Wind Limited Partnership.

At December 31, 2023, the book value of assets pledged to maintain the project finance debts was $914 million (2022 - $252 million).

INTEREST RATE AMENDMENTS

In 2023, agreements relating to certain Corporate long-term debt and Project Finance long-term debt that were previously referenced to CDOR and LIBOR have been been amended to reference them to CORRA and SOFR, respectively. The amendments were prospective, and did not have a material impact to the Company's interest expense for the year ended December 31, 2023 as the changes to the reference rates were economically equivalent to the previous basis.

15. RETIREMENT BENEFITS

The Company maintains registered defined benefit or defined contribution pension plans for most of its employees. It also provides other post-employment benefits (OPEB), principally health, dental and life insurance, for retirees and their dependents. The defined benefit pension plans provide for pensions based on employees' length of service and final average earnings. As of 1997, new employees of Canadian Utilities Limited and its subsidiaries, and, as of 2005, new employees of ATCO Structures & Logistics Ltd., automatically participate in the defined contribution pension plans.

The Company also maintains non-registered, non-funded defined benefit pension plans for certain officers and key employees.

The majority of benefit payments are made from trustee-administered funds; however, there are a number of unfunded plans where the Company makes the benefit payments. Plan assets held in trusts are governed by provincial and federal legislation and regulations, as is the relationship between the Company and the trustee. The Pension Committees of the Boards of Directors of Canadian Utilities Limited and ATCO Structures & Logistics Ltd. are responsible for governance of the funded plans and policy decisions related to benefit design, liability management, and funding and investment, including selection of investment managers and investment options for the plans.

BENEFIT PLAN ASSETS, OBLIGATIONS AND FUNDED STATUS

The changes in Company's pension and OPEB plan assets and obligations for the year ended December 31 are as follows:

		2023		2022
	Pension Benefit Plans	OPEB Plans	Pension Benefit Plans	OPEB Plans
Market value of plan assets				
Beginning of year	**2,437**	**–**	3,084	–
Interest income	**122**	**–**	92	–
Employer contributions	**4**	**–**	8	–
Benefit payments	**(148)**	**–**	(144)	–
Return on plan assets, excluding amounts included in interest income	**57**	**–**	(603)	–
End of year	**2,472**	**–**	2,437	–
Accrued benefit obligations				
Beginning of year	**2,544**	**92**	3,156	127
Current service cost	**5**	**2**	9	3
Interest cost	**124**	**5**	95	4
Benefit payments from plan assets	**(148)**	**–**	(144)	–
Benefit payments by employer	**(8)**	**(5)**	(9)	(5)
Past service cost	**–**	**–**	1	–
Actuarial losses (gains)	**49**	**7**	(564)	(37)
End of year [1]	**2,566**	**101**	2,544	92
Funded status				
Net retirement benefit obligations	**94**	**101**	107	92
Included in net retirement benefit obligations are:				
Registered funded defined benefit pension plan asset [1]	**(49)**	**–**	(24)	–
Non-registered, non-funded defined benefit pension plans obligation [2]	**143**	**–**	131	–
OPEB Plans	**–**	**101**	–	92
	94	**101**	107	92

(1) The registered funded defined benefit pension plan was in an asset position of $49 million at December 31, 2023 due to the impacts of returns on plan assets, partly offset by a decrease in liability discount rate (2022 - $24 million due to the impacts of returns on plan assets, an increase in the liability discount rate, and the restriction of the net retirement benefit asset by the asset ceiling adjustment).

(2) In the Company's non-registered, non-funded defined benefit pension plans, accrued benefit obligations increased to $143 million at December 31, 2023 due to a decrease in the liability discount rate and experience adjustments (2022 - decreased to $131 million due to an increase in the liability discount rate and experience adjustments).

BENEFIT PLAN COST

The components of benefit plan cost for the year ended December 31 are as follows:

	2023		2022	
	Pension Benefit Plans	**OPEB Plans**	**Pension Benefit Plans**	**OPEB Plans**
Current service cost	**5**	**2**	9	3
Interest cost	**124**	**5**	95	4
Interest income	**(122)**	**–**	(92)	–
Past service cost	**–**	**–**	1	–
Defined benefit plans cost	**7**	**7**	13	7
Defined contribution plans cost	**37**	**–**	30	–
Total cost	**44**	**7**	43	7
Less: capitalized	**(17)**	**(3)**	(16)	(3)
Net cost recognized in earnings	**27**	**4**	27	4

RE-MEASUREMENT OF RETIREMENT BENEFITS

Re-measurements of the pension and OPEB plans for the year ended December 31 are as follows:

	2023		2022	
	Pension Benefit Plans	**OPEB Plans**	**Pension Benefit Plans**	**OPEB Plans**
Gains (losses) on plan assets from:				
Return on plan assets, excluding amounts included in net interest income	**57**	**–**	(603)	–
(Losses) gains on plan obligations from:				
Changes in financial assumptions	**(49)**	**(7)**	564	37
Gains (losses) recognized in other comprehensive income [(1)]	**8**	**(7)**	(39)	37

(1) *Gains net of income taxes were $1 million for the year ended December 31, 2023 (2022 - losses net of income taxes of $2 million).*

PLAN ASSETS

The market values of the Company's defined benefit pension plan assets at December 31 are as follows:

				2023				2022
Plan asset mix	**Quoted**	**Un-quoted**	**Total**	**%**	**Quoted**	**Un-quoted**	**Total**	**%**
Equity securities								
Public								
Canada	**3**	**–**	**3**		2	–	2	
United States	**126**	**–**	**126**		111	–	111	
International	**66**	**–**	**66**		62	–	62	
Private	**–**	**2**	**2**		–	2	2	
	195	**2**	**197**	**8**	175	2	177	7
Fixed income securities								
Government bonds	**1,156**	**–**	**1,156**		1,061	–	1,061	
Corporate bonds and debentures	**615**	**–**	**615**		735	–	735	
Securitizations	**92**	**–**	**92**		46	–	46	
Mortgages	**–**	**94**	**94**		–	124	124	
	1,863	**94**	**1,957**	**79**	1,842	124	1,966	81
Real estate								
Land and building (1)	**–**	**25**	**25**		–	14	14	
Real estate funds	**–**	**216**	**216**		–	223	223	
	–	**241**	**241**	**10**	–	237	237	10
Cash and other assets								
Cash	**31**	**–**	**31**		47	–	47	
Short-term notes and money market funds	**41**	**–**	**41**		7	–	7	
Accrued interest and dividends receivable	**5**	**–**	**5**		3	–	3	
	77	**–**	**77**	**3**	57	–	57	2
	2,135	**337**	**2,472**	**100**	2,074	363	2,437	100

(1) The land and building are leased by the Company.

FUNDING

In 2023, an actuarial valuation for funding purposes as of December 31, 2022 was completed for the registered defined benefit pension plans. The estimated contribution for 2024 is $4 million. The next actuarial valuation for funding purposes must be completed as of December 31, 2025.

WEIGHTED AVERAGE ASSUMPTIONS

The significant assumptions used to determine the benefit plan cost and accrued benefit obligation are as follows:

	2023		2022	
	Pension Benefit Plans	OPEB Plans	Pension Benefit Plans	OPEB Plans
Benefit plan cost				
Discount rate for the year	**5.28 %**	**5.28 %**	3.16 %	3.16 %
Average compensation increase for the year	**2.25 %**	**n/a**	2.25 %	n/a
Accrued benefit obligations				
Discount rate at December 31	**4.65 %**	**4.65 %**	5.28 %	5.28 %
Long-term inflation rate (1)	**2.00 %**	**n/a**	2.00 %	n/a
Health care cost trend rate:				
Drug costs (2)	**n/a**	**4.95 %**	n/a	5.00 %
Other medical costs	**n/a**	**4.00 %**	n/a	4.00 %
Dental costs	**n/a**	**4.00 %**	n/a	4.00 %

(1) The long-term inflation rate used to calculate the accrued benefit obligation at December 31, 2023 was 4.00 per cent for 2023, 2.20 per cent for 2024, and 2.00 per cent thereafter (2022 - 7.00 per cent for 2022, 3.50 per cent for 2023, 2.30 per cent for 2024 and 2.00 per cent thereafter).

(2) The Company uses a graded drug cost trend rate, which assumes a 4.95 per cent rate per annum (2022 - 5.00 per cent rate per annum), grading down to 4.00 per cent in and after 2040.

The weighted average duration of the defined benefit obligation is 10.8 years.

RISKS

The Company is exposed to a number of risks related to its defined benefit pension plans and OPEB plans. The most significant risks are described below.

Investment risk

The Company makes investment decisions for its funded plans using an asset-liability matching framework. Within this framework, the Company's objective over time is to increase the proportion of plan assets in fixed income securities with maturities that match the expected benefit payments as they fall due. Additionally, due to the long-term nature of the benefit obligations, the strength of the Company, and the belief that a diversified portfolio offers an appropriate risk-return profile, the Company continues to invest in global equity securities, global fixed income and Canadian real estate in addition to Canadian fixed income. The Company has not changed the processes used to manage its risks from previous periods.

Interest rate risk

The Company mitigates interest rate risk by holding a large proportion of pension assets in fixed income securities within a portfolio that has been designed to match the interest rate risk profile of the accrued benefit obligations. As such, a decrease in long-term interest rates will result in an increase in the accrued benefit obligations, which will be partially offset by an increase in the value of the plan's fixed income securities. Conversely, a rising interest rate environment would result in the opposite impact on the relationship between the plan's obligations and fixed income investments.

Compensation risk

The present value of the accrued benefit obligations is calculated using the estimated future compensation of plan participants. Should future compensation be higher than estimated, benefit obligations will increase.

Inflation risk

Accrued benefit obligations are linked to inflation, and higher inflation will lead to increased obligations. For the defined benefit pension plan, inflation risk is mitigated due to the indexing of benefit payments being limited under the plans' terms and conditions.

In addition, the deferred benefit plan achieves further inflation risk mitigation by investing in Government of Canada Real Return Bonds, and high-quality Canada real estate assets.

Life expectancy

Should pensioners live longer than assumed, benefit obligations and liabilities will be larger than expected.

SENSITIVITIES

The 2023 sensitivities of significant assumptions used in measuring the Company's pension and OPEB plans are as follows:

		Accrued Benefit Obligation		Net Benefit Plan Cost	
Assumption	**Per cent Change**	**Increase in Assumption**	**Decrease in Assumption**	**Increase in Assumption**	**Decrease in Assumption**
Discount rate	1 %	(258)	319	5	(7)
Future compensation rate	1 %	2	(3)	–	–
Long-term inflation rate [(1)]	1 %	309	(261)	9	(8)
Health care cost trend rate	1 %	7	(6)	–	–
Life expectancy	10 %	64	(70)	2	(2)

(1) The long-term inflation rate for pension plans reflects the fact that pension plan benefit payments have historically been indexed annually to increases in the Canadian Consumer Price Index to a maximum increase of 3.0 per cent per annum.

The above sensitivities have been calculated independently of each other. Actual experience may result in changes in a number of assumptions simultaneously.

16. BALANCES FROM CONTRACTS WITH CUSTOMERS

Balances from contracts with customers are comprised of accounts receivable and contract assets and customer contributions.

ACCOUNTS RECEIVABLE AND CONTRACT ASSETS

At December 31, accounts receivable and contract assets are as follows:

	2023	**2022**
Trade accounts receivable and contract assets	**855**	917
Other accounts receivable	**35**	39
	890	956
Contract assets included in other assets	**5**	3
	895	959

A reconciliation of the changes in trade accounts receivable and contract assets during the year ended December 31 are as follows:

	2023	**2022**
Beginning of year	**920**	814
Revenue from satisfied performance obligations	**4,580**	4,621
Customer billings and other items not included in revenue	**600**	619
Credit loss allowance	**–**	(1)
Acquisitions (*Note 24)*	**11**	3
Payments received	**(5,251)**	(5,129)
Sale of ownership interest in a subsidiary company (*Note 3*)	**–**	(6)
Foreign exchange rate adjustment and other	**–**	(1)
End of year	**860**	920

CUSTOMER CONTRIBUTIONS

Certain additions to property, plant and equipment, mainly in ATCO Energy Systems, are made with the assistance of non-refundable cash contributions from customers. These contributions are made when the estimated revenue is less than the cost of providing service or where the customer needs special equipment. Since these contributions will provide customers with on-going access to the supply of natural gas or electricity, they represent deferred revenues and are recognized in revenues over the life of the related asset.

Changes in customer contributions balance during the year ended December 31 are summarized below.

	2023	2022
Beginning of year	**1,989**	1,870
Receipt of customer contributions	**127**	178
Amortization	**(60)**	(55)
Foreign exchange rate adjustment and other	**(15)**	5
Sale of ownership interest in a subsidiary company (*Note 3*)	**–**	(9)
End of year	**2,041**	1,989

17. LEASES

THE COMPANY AS LESSEE

Right-of-use assets

The Company's right-of-use assets mainly relate to the lease of land and buildings. A reconciliation of the changes in the carrying amount of right-of-use assets for the year ended December 31 is as follows:

	Note	2023	2022
Cost			
Beginning of year		**167**	134
Additions		**20**	14
Acquisitions	24	**5**	25
Disposals		**(6)**	(6)
Foreign exchange rate adjustment		**(1)**	–
End of year		**185**	167
Accumulated depreciation			
Beginning of year		**58**	47
Depreciation		**19**	17
Disposals		**(6)**	(6)
End of year		**71**	58
Net book value		**114**	109

Lease liabilities

The Company has recognized lease liabilities mainly in relation to the arrangements to lease land and buildings. A reconciliation of movements in lease liabilities during the year ended December 31 is as follows:

	Note	2023	2022
Beginning of year		**115**	90
Additions		**20**	14
Acquisitions	24	**5**	25
Interest expense	6	**4**	3
Lease payments		**(21)**	(18)
Foreign exchange rate adjustment		**(2)**	1
End of year		**121**	115
Less: amounts due within one year		**(17)**	(16)
End of year		**104**	99

The maturity analysis of the undiscounted contractual balances of the lease liabilities is as follows:

In one year or less	**21**
In more than one year, but not more than five years	**70**
In more than five years	**71**
	162

The amounts expensed in the consolidated statements of earnings for the year ended December 31, in relation to short-term leases and low-value leases, are as follows:

	2023	**2022**
Short-term leases	**15**	15

During the years ended December 31, 2023 and 2022, leases with variable payments were less than $1 million.

THE COMPANY AS LESSOR

The Company is party to certain arrangements that convey the right to use electricity generation and non-regulated electricity transmission assets. These arrangements are classified as finance leases, with the Company as the lessor.

As at December 31, 2023 and 2022, the Company's operating leases include rentals of modular structures.

Finance leases

The total net investment in finance leases at December 31 is shown below. Finance lease income is recognized in revenues.

	2023	**2022**
Net investment in finance leases		
Finance lease - gross investment	**221**	271
Unearned finance income	**(83)**	(122)
	138	149
Current portion	**12**	11
Non-current portion	**126**	138
	138	149
Gross receivables from finance leases		
In one year or less	**25**	25
In more than one year, but not more than five years	**98**	101
In more than five years	**98**	145
	221	271
Net investment in finance leases		
In one year or less	**12**	11
In more than one year, but not more than five years	**60**	55
In more than five years	**66**	83
	138	149

During the year ended December 31, 2023, $2 million of contingent rent was recognized as income from these finance leases (2022 - $2 million).

Operating leases

The aggregate future minimum lease payments receivable under non-cancellable operating leases at December 31 are:

	2023	2022
Minimum lease payments receivable		
In one year or less	**67**	78
In more than one year, but not more than five years	**32**	33
In more than five years	**1**	–
	100	111

During the years ended December 31, 2023 and 2022, no contingent rent was recognized as income from these operating leases.

18. CLASS I AND CLASS II SHARES

A reconciliation of the number and dollar amount of outstanding Class I non-voting and Class II voting shares at December 31 is shown below.

AUTHORIZED AND ISSUED

	Class I Non-Voting		Class II Voting		Total	
	Shares	Amount	Shares	Amount	Shares	Amount
Authorized:	300,000,000		50,000,000		350,000,000	
Issued and outstanding:						
December 31, 2021	101,187,649	188	13,196,129	2	114,383,778	190
Purchased and cancelled	(486,400)	(1)	–	–	(486,400)	(1)
Stock options exercised	15,200	–	–	–	15,200	–
Converted: Class II to Class I	652,695	–	(652,695)	–	–	–
December 31, 2022	101,369,144	187	12,543,434	2	113,912,578	189
Purchased and cancelled	**(1,758,600)**	**(3)**	–	–	**(1,758,600)**	**(3)**
Stock options exercised	**4,900**	**1**	–	–	**4,900**	**1**
Converted: Class II to Class I	**118,447**	–	**(118,447)**	–	–	–
December 31, 2023	**99,733,891**	**185**	**12,424,987**	**2**	**112,158,878**	**187**

Class I and Class II Shares have no par value.

MID-TERM INCENTIVE PLAN

The Company's MTIP trust is considered a special purpose entity which is consolidated in these financial statements. The Class I Shares, while held in trust, are accounted for as a reduction of share capital. The consolidated Class I and Class II Shares outstanding at December 31 is shown below.

	2023		2022	
	Shares	Amount	Shares	Amount
Shares issued and outstanding	**112,158,878**	**187**	113,912,578	189
Shares held in trust for the mid-term incentive plan	–	–	(254,021)	(10)
Shares outstanding, net of shares held in trust	**112,158,878**	**187**	113,658,557	179

In May 2023, the MTIP Plan was terminated. Following its termination, the Company sold all of the 259,590 Class I Shares that were held in trust for the MTIP for proceeds of $11 million, resulting in an increase in share capital of $10 million, and contributed surplus of $1 million, representing the after tax gain on sale. In July 2023, the MTIP trust was closed.

SHARE OWNER RIGHTS

Each Class II Share may be converted into one Class I Share at any time at the share owner's option. If an offer to purchase all Class II Shares is made, and such offer is accepted and taken up by the owners of a majority of the

Class II Shares, and if, at the same time, an offer is not made to the Class I Share owners on the same terms and conditions, then the Class I Shares will be entitled to the same voting rights as the Class II Shares. The two share classes rank equally in all other respects, except for voting rights.

DIVIDENDS

The Company declared and paid cash dividends of $1.9024 per Class I and Class II Share during 2023 (2022 - $1.8468). The Company's policy is to pay dividends quarterly on its Class I and Class II Shares. The payment and amount of any quarterly dividend is at the discretion of the Board and depends on the financial condition of the Company and other factors.

On January 11, 2024, the Company declared a first quarter dividend of $0.4898 per Class I and Class II Share, payable on March 31, 2024 to share owners of record as of February 29, 2024.

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. On September 26, 2023, the NCIB was amended to increase the maximum outstanding number of Class I shares that may be purchased from 1,014,881 to 2,214,881. The bid will expire 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 year ended December 31, 2023, 1,758,600 Class I shares were purchased for $67 million, resulting in a decrease to share capital of $3 million and a decrease to retained earnings of $64 million (2022 - 486,400 Class I shares were purchased for $23 million, resulting in a decrease to share capital of $1 million and a decrease to retained earnings of $22 million).

19. 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 year ended December 31 are summarized below.

	2023	2022
Depreciation, amortization and impairment	**811**	717
Earnings from investment in associate company	**(22)**	(14)
Dividends received from associate company	**16**	15
Earnings from investment in joint ventures	**(72)**	(81)
Dividends and distributions received from investment in joint ventures	**82**	73
Income tax expense	**242**	214
Unrealized (gains) losses on derivative financial instruments	**(240)**	89
Contributions by customers for extensions to plant	**127**	178
Amortization of customer contributions	**(60)**	(55)
Net finance costs	**434**	391
Income taxes paid	**(52)**	(42)
Interest received	**64**	39
Other	**9**	18
	1,339	1,542

CHANGES IN NON-CASH WORKING CAPITAL

The changes in non-cash working capital for the year ended December 31 are summarized below.

	2023	2022
Operating activities		
Accounts receivable and contract assets	**44**	(120)
Inventories	**(34)**	(9)
Prepaid expenses and other current assets	**(8)**	6
Accounts payable and accrued liabilities	**(138)**	281
Provisions and other current liabilities	**(57)**	(11)
	(193)	147
Investing activities		
Accounts receivable and contract assets	**(1)**	7
Prepaid expenses and other current assets	**(1)**	–
Accounts payable and accrued liabilities	**(58)**	45
	(60)	52

DEBT RECONCILIATION

The reconciliation of the changes in debt for the year ended December 31 is shown below.

	Short-term debt (1)	Long-term debt
Liabilities from financing activities		
December 31, 2021	206	9,852
Net (repayment) issue of debt	(206)	222
Foreign currency translation	–	15
Debt issue costs	–	(6)
Amortization of deferred financing charges	–	4
December 31, 2022	–	10,087
Net issue of debt	–	**970**
Foreign currency translation	–	**(2)**
Debt issue costs	–	**(14)**
Amortization of deferred financing charges	–	**7**
December 31, 2023	–	**11,048**

(1) In January 2022, the Company paid the commercial paper notes that were outstanding at December 31, 2021. Commercial paper notes are supported by the Company's long-term committed credit lines (see Note 21).

See Note 17 for the reconciliation of the changes in lease liability for the years ended December 31, 2023 and 2022.

CASH POSITION

Cash position at December 31 is comprised of:

	2023	2022
Cash	**250**	1,012
Short-term investments	**22**	3
Restricted cash (1)	**16**	18
Cash position	**288**	1,033

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

20. 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 year end (Level 2).
Foreign currency contracts	Determined using quoted forward exchange rates at year end (Level 2).
Commodity contracts	Determined using observable year end forward curves and quoted spot market prices with inputs validated by publicly available market providers (Level 2). Determined using statistical techniques to derive year 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 at December 31 are as follows:

		2023		2022
Recurring Measurements	**Carrying Value**	**Fair Value**	**Carrying Value**	**Fair Value**
Financial Assets				
Finance lease receivables	**138**	**156**	149	185
Long-term advances due from joint venture (1)	**33**	**32**	33	30
Financial Liabilities				
Long-term debt	**11,048**	**10,744**	10,087	9,099

(1) Long-term advances due from joint venture are recorded in prepaid expenses and other current assets, $3 million (2022 - nil), and other assets, $30 million (2022 - $33 million), on the consolidated balance sheets.

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

Marketable securities

At December 31, 2023, the Company's marketable securities measured at fair value include investment grade corporate bonds and debentures, private fixed income funds, and bank loans and commercial mortgage funds (see Note 9).

Derivative financial instruments

The Company's derivative instruments are measured at fair value. At December 31, 2023 and 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 power forward 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 [(1)]	Commodities		Total Fair Value of Derivatives
December 31, 2023					
Financial Assets					
Prepaid expenses and other current assets	**22**	**36**	**–**	**51**	**109**
Other assets	**3**	**16**	**90**	**94**	**203**
Financial Liabilities					
Provisions and other current liabilities	**–**	**43**	**–**	**6**	**49**
Other liabilities	**1**	**35**	**–**	**–**	**36**
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 that are subject to hedge accounting are related to Canadian Utilities Limited's renewable power purchase agreements in its generation business (reported in ATCO EnPower operating segment, previously reported as Energy Infrastructure), and supply contracts in its retail electricity and natural gas business (reported in Canadian Utilities Limited's Corporate & Other operating segment). In September 2023, Canadian Utilities Limited executed a 38.5 megawatt (MW) renewable power purchase agreement with Lafarge Canada Inc. (Lafarge) on its Empress Solar project for 12.5 years. In March 2022 and December 2022, Canadian Utilities Limited executed 37 MW and 150 MW renewable power purchase agreements, respectively, for 15 years on its Deerfoot Solar project and Forty Mile Wind project, with Microsoft Corporation (Microsoft). Under the agreements, Canadian Utilities Limited will receive a fixed price per megawatt per hour (MWh) and pay the settled price per MWh from the Alberta Electric System Operator as well as deliver the related renewable energy credits to Lafarge and Microsoft. The energy components within these agreements were designated as cash flow hedges for accounting purposes.

(2) Derivative financial instruments that are not subject to hedge accounting are related to customer contracts in Canadian Utilities Limited's retail electricity and natural gas business (reported in Canadian Utilities Limited's Corporate & Other operating segment).

The table below presents the ranges of the most significant unobservable valuation inputs that are used to value level 3 derivative financial instruments and the increase or decrease to the fair value amount based on a 10% increase or decrease in the inputs.

Valuation Technique	Unobservable Input	Range [(1)]		Sensitivity of Input to Fair Value	
		2023	2022	2023	2022
Forecast pricing model	Forward power prices - Solar	**$28.89 to $180.55 / MWh**	$31.11 - $229.76 / MWh	**11**	6
	Forward power prices - Wind	**$24.08 to $129.62 / MWh**	$6.10 - $161.03 / MWh	**35**	38
Forecast generation volume model	Electricity generation forecast volumes - Solar	**12,967 MWhs**	6,312 MWhs	**2**	1
	Electricity generation forecast volumes - Wind	**46,430 MWhs**	50,221 MWhs	**7**	1
Internal forecasting model	Retail electricity forecast consumption	**51,604 MWhs**	39,991 Mwhs	**8**	11
	Retail natural gas forecast consumption	**444,129 GJs**	440,934 GJs	**6**	1

(1) Numbers are calculated based on the monthly average of the unobservable inputs.

A reconciliation of the changes in the Company's derivative financial instruments classified as Level 3 is as follows:

	Subject to Hedge Accounting	Not Subject to Hedge Accounting	Total
December 31, 2021 [(1)]	–	(18)	(18)
Settlement of derivative contracts	–	95	95
Losses recognized in earnings	–	(178)	(178)
Losses recognized in other comprehensive income	(18)	–	(18)
December 31, 2022 [(1)]	(18)	(101)	(119)
Settlement of derivative contracts	**(1)**	**29**	**28**
Gains recognized in earnings	**3**	**211**	**214**
Gains recognized in other comprehensive income	**106**	–	**106**
December 31, 2023 [(1)]	**90**	**139**	**229**

(1) Net financial (liabilities) assets classified as Level 3 at end of year.

For the year ended December 31, the following realized and unrealized gains and losses on derivative financial instruments were recognized in the consolidated statements of earnings:

	2023			2022		
	Level 2	Level 3	Total	Level 2	Level 3	Total
Realized gains (losses)						
Revenues	**(13)**	–	**(13)**	(28)	–	(28)
Fuel costs	**(15)**	–	**(15)**	16	–	16
Purchased power	**83**	–	**83**	113	–	113
Derivative financial instruments [(1)]	**9**	**(29)**	**(20)**	19	(95)	(76)
Interest expense	**1**	–	**1**	–	–	–
	65	**(29)**	**36**	120	(95)	25
Unrealized gains (losses)						
Derivative financial instruments [(1)]	–	**240**	**240**	(6)	(83)	(89)
Total	**65**	**211**	**276**	114	(178)	(64)

(1) Realized derivative financial instruments gains (losses) and unrealized gains (losses) are included in the derivative financial instruments gains (losses) in the consolidated statements of earnings .

Hedge ineffectiveness

Hedge ineffectiveness of an $11 million derivative financial instruments gain was recognized in the consolidated statements of earnings during 2023 (2022 - gain of $14 million).

Changes to other comprehensive income

During the year ended December 31, 2023, unrealized losses before income taxes of $33 million were recognized in other comprehensive income (OCI) (2022 - unrealized gains before income taxes of $281 million), and $128 million of realized gains before income taxes were reclassified to the consolidated statements of earnings (2022 - realized gains before income taxes of $88 million).

Over the next 12 months, the Company estimates that earnings before income taxes of $3 million will be reclassified from accumulated other comprehensive income (AOCI) to earnings.

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**
December 31, 2023							
Purchases (3)	**–**	**49,744,800**	**4,633,262**	**–**	**–**	**–**	**–**
Sales (3)	**–**	**422,595**	**10,288,344**	**–**	**26,647,764**	**3,096,245**	**–**
Currency							
Canadian dollars	**173**	**–**	**–**	**–**	**–**	**–**	**–**
Australian dollars	**719**	**–**	**–**	**–**	**–**	**–**	**–**
Mexican pesos	**–**	**–**	**–**	**–**	**–**	**–**	**23**
U.S. dollars	**–**	**–**	**–**	**5**	**–**	**–**	**1**
Maturity	**2024-2045**	**2024-2028**	**2024-2038**	**2024**	**2024-2028**	**2024-2028**	**2024**
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.

OFFSETTING FINANCIAL ASSETS AND LIABILITIES

Netting arrangements and similar agreements provide counterparties the legal right to set-off liabilities against assets received. The following financial assets and financial liabilities are subject to offsetting at December 31:

	Effects of Offsetting on the Balance Sheet		
	Gross Amount	**Gross Amount Offset**	**Net Amount Recognized**
2023			
Financial Assets			
Derivative assets (1), (2)	**312**	**–**	**312**
Accounts receivable and contract assets	**55**	**(33)**	**22**
Financial Liabilities			
Derivative liabilities (1), (3)	**85**	**–**	**85**
2022			
Financial Assets			
Derivative assets (1), (2)	346	–	346
Accounts receivable and contract assets	61	(56)	5
Financial Liabilities			
Derivative liabilities (1), (3)	191	–	191

(1) The Company enters into derivative transactions based on master agreements in which there is a set-off provision under certain circumstances, such as default. The agreements do not meet the criteria for offsetting in the consolidated balance sheet since the Company does not presently have a legally enforceable right to set-off. This right is enforceable only if certain credit events occur in the future.

(2) At December 31, 2023, $109 million is included in prepaid expenses and other assets, and $203 million is included in other assets in the consolidated balance sheets (2022 - $195 million and $151 million).

(3) At December 31, 2023, $49 million is included in provisions and other current liabilities, and $36 million is included in other liabilities in the consolidated balance sheets (2022 - $135 million and $56 million).

21. RISK MANAGEMENT

The Company’s Board is responsible for understanding the principal risks of the Company’s business, achieving a proper balance between risks incurred and the potential return to share owners, and confirming there are controls in place to effectively monitor and manage those risks with a view to the long-term viability of the Company. The Board established the Audit & Risk Committee to review significant risks associated with future performance, growth and lost opportunities identified by management that could materially affect the Company’s ability to achieve its strategic or operational targets. This committee is responsible for confirming that management has procedures in place to mitigate identified risks.

The Company is exposed to a variety of risks associated with the use of financial instruments: market risk, credit risk and liquidity risk. The Company may use various derivative financial instruments to manage its exposure in these areas. All such instruments are used to manage risk and are not for trading purposes.

The source of risk exposure and how each is managed is outlined below.

MARKET RISK

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in interest rates. Interest-bearing assets and liabilities exposed to fair value interest rate risk include marketable securities, short-term term debt and long-term debt with fixed interest rates. Interest-bearing assets and liabilities exposed to cash flow interest rate risk include cash and cash equivalents, bank indebtedness and long-term debt with variable interest rates.

The Company's interest-bearing assets that are subject to fair value or cash flow interest rate risk are mitigated by maintaining investments that deliver satisfactory returns while maintaining liquidity.

In respect of interest-bearing liabilities that are subject to fair value or cash flows interest rate risk, the Company's risk management policy is to hedge all material interest rate risk exposures related to long-term financings when the risk is incurred, unless commercial arrangements or mechanisms are in place to offset such interest rate risk.

The Company closely monitors market interest rates and maintains a balance between variable rate and fixed rate borrowings in order to reduce its exposure. The Company has fixed interest rates, either directly or through interest rate swap agreements, on 94 per cent (2022 - 97 per cent) of total long-term debt. Consequently, the exposure to fluctuations in market interest rates is limited.

A 100 basis point increase or decrease in interest rates over the next year would increase or decrease earnings by $5 million (2022 - $1 million) and would increase or decrease OCI by $11 million (2022 - $12 million). The sensitivity analysis is based on management’s assessment that a 100 basis point increase or decrease in interest rates is a reasonable potential change over the next year. This analysis has been determined based on the exposure to interest rates for financial instruments outstanding at December 31, 2023.

Interest rate benchmark reform risk

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative reference rates (IBOR reform). IBOR reform could impact interest rates with respect to the Company's credit facilities, debt agreements and interest rate swap agreements that are referenced to IBORs. The Company is currently managing the transition so that the existing agreements that refer to IBORs shall be modified to ensure continuity of financing arrangements and address differences between IBORs and alternative reference rates. At December 31, 2023, the Company has transitioned certain of its credit facilities, debt agreements, and interest rate swap agreements (see Note 14) and continues to have discussions with its counterparties to address the remaining agreements that are exposed to the IBOR reform.

For the remaining agreements that are still to be transitioned, the Company does not expect material effects on its consolidated financial statements.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company operates internationally and is exposed to foreign exchange risk from financial instruments denominated in currencies other than the functional currency of an operation and on its net investments in foreign subsidiaries. The majority of this currency risk arises from exposure to the U.S. dollar and Australian dollar. The Company offsets foreign exchange volatility in part by entering into foreign currency derivative contracts and by financing with foreign-denominated debt. The Company's risk management policy is to hedge all material transactions with foreign exchange risks arising from the sale or purchase of goods and services where revenue or the costs to be incurred are denominated in a currency other than the functional currency of the transacting company.

A 10 per cent increase or decrease in the U.S. dollar and Australia dollar would each increase or decrease earnings and OCI by $2 million (2022 - less than $1 million). The sensitivity analysis is based on management's assessment that an average 10 per cent increase or decrease in these currencies relative to the Canadian dollar is a reasonable potential change over the next year. This analysis has been determined based on the exposure to foreign exchange for financial instruments outstanding at December 31, 2023.

The sensitivity analysis excludes translation risk associated with the translation of subsidiaries that have a different functional currency than the functional currency of the Company.

Energy commodity price risk

Energy commodity price risk is the risk that the fair value or future cash flows of natural gas and electricity sales and purchases will fluctuate due to changes in market prices. Fluctuations in market prices result from changes in supply and customer demand, fuel costs, market conditions, weather, regulatory policies, and other factors. The Company's natural gas storage, retail energy and electricity generation businesses are exposed to commodity price movements, particularly to the market price of natural gas and electricity.

Anticipated price risks are calculated based on the Company's customer demand requirements and supply requirements to natural gas and electricity. These are consistently observed and analyzed to ensure that operational and commercial strategic policies to mitigate pricing risk are met.

The Company manages its price risk as part of its strategy by entering into hedging contracts, including short-term and long-term fixed price sale and purchase contracts. Management actively monitors its derivative transactions in accordance with its risk management policy. This policy sets out pre-defined risks and financial parameters so that price fluctuations do not materially affect the margins the Company ultimately receives.

The Company is also exposed to seasonal natural gas price spreads in its natural gas storage operations. Management mitigates this risk by entering into short-term and long-term firm capacity arrangements, where appropriate.

The Company's natural gas and electricity contracts that are considered financial derivatives are significantly influenced by the variability of forward prices.

A 10 per cent increase or decrease in the forward prices of natural gas or electricity, based on management's assessment that an average 10 per cent increase or decrease in forward prices is a reasonable change over the next year, would increase or decrease earnings or OCI at December 31 as follows:

		2023		**2022**
	Earnings	**OCI**	**Earnings**	**OCI**
Forward prices of natural gas	**6**	**12**	8	10
Forward prices of electricity	**22**	**7**	23	3

This analysis assumes that changes in the forward price of natural gas and electricity affects the mark-to-market adjustment of the purchase and sale contracts.

CREDIT RISK

Credit risk is the risk of financial loss due to a counterparty's inability to discharge their contractual obligations to the Company. The Company is exposed to credit risk on its cash and cash equivalents, marketable securities, accounts receivable and contract assets, finance lease receivables and derivative instrument assets. The exposure to credit risk represents the total carrying amount of these financial instruments in the consolidated balance sheets.

The Company manages its credit risk on cash and cash equivalents by investing in instruments issued by credit-worthy financial institutions. Credit risk in marketable securities is mitigated by investing in investment grade companies, instruments issued by national and local governments, and bank loans and commercial mortgages with low default risks.

Accounts receivable and contract assets and finance lease receivables credit risk is reduced by transacting with credit-worthy customers in accordance with the established credit approval policies, and a large and diversified customer base and through collateral arrangements such as letters of credit, corporate guarantees and cash deposits. The Alberta Utilities are also able to recover an estimate for their credit loss allowances through approved customer rates and to request recovery through customer rates for any losses from retailers beyond the retailer security mandated by provincial regulations.

Derivative credit risk arises from the possibility that a counterparty to a contract fails to perform according to its terms and conditions. This risk is mitigated by dealing with large, credit-worthy counterparties and continuous monitoring of the counterparty risk exposure. The Company has in certain instances entered into master netting agreements with its derivative counterparties, which provides a right to offset for certain exposures between the parties.

The Company does not have a concentration of credit risk with any counterparty, except for finance lease receivables, which by its nature is with a single counterparty.

Depending on the nature of accounts receivable and contract assets, the Company estimates credit losses based on the expected credit loss rates for respective credit ratings. At December 31, the summary of the expected credit loss rates for respective credit ratings is as follows:

	High (AA to AAA)	Medium (BBB to A)	Low (BB and below)
December 31, 2023	0%-0.02%	0.05%-0.14%	0.45%-2.85%
December 31, 2022	0%-0.02%	0.05%-0.14%	0.46%-2.99%

At December 31, 2023, the Company had $95 million of accounts receivable and contract assets classified as Low (BB and below) (2022 - $51 million).

Where the Company believes there is a high probability of a customer default, additional credit allowances are recorded.

The reconciliation of changes in the Company's credit loss allowance for the year ended December 31 is as follows:

	2023	**2022**
Beginning of year	**11**	13
Credit loss allowance	**2**	4
Utilization of credit loss allowance	**(2)**	(6)
End of year	**11**	11

The aging analysis of trade receivables at December 31 is as follows:

	2023	**2022**
Up to 30 days	**814**	892
31 to 60 days	**26**	13
61 to 90 days	**5**	2
Over 90 days	**10**	10
	855	917

At December 31, 2023, the Company held $368 million in letters of credit for certain counterparty receivables (2022 - $606 million). The Company did not take possession of any collateral it holds as security in 2023 or 2022. The Company has also entered into guarantee arrangements with the parent company of Direct Energy Partnership (NRG Energy) relating to the retail energy supply functions performed by Direct Energy (see Note 30).

LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with its financial liabilities that are settled in cash or another financial asset. Liquidity risk arises from the Company's general funding needs and in the management of its assets, liabilities and capital structure. The Company considers it prudent to maintain sufficient liquidity to fund approximately one full year of cash requirements to preserve strong financial flexibility. Cash flows from operations provide a substantial portion of the Company's cash requirements. Additional cash requirements are met with the use of existing cash balances, marketable securities, bank borrowings and issuance of long-term debt and preferred shares. Commercial paper borrowings and short-term bank loans are also used under available credit lines to provide flexibility in the timing and amounts of long-term financing.

Lines of credit

At December 31, the Company has the following lines of credit that enable it to obtain financing for general business purposes:

			2023			**2022**
	Total	**Used**	**Available**	**Total**	**Used**	**Available**
Long-term committed	**3,063**	**973**	**2,090**	3,396	1,080	2,316
Short-term committed	**316**	**316**	**–**	–	–	–
Uncommitted	**692**	**275**	**417**	669	258	411
	4,071	**1,564**	**2,507**	4,065	1,338	2,727

Long-term committed revolving credit facilities have maturities greater than one year. Uncommitted credit facilities have no set maturity and the lender can demand repayment at any time.

Lines of credit utilized at December 31 are comprised of:

	2023	**2022**
Long-term debt due within one year	**316**	–
Long-term debt	**899**	1,001
Letters of credit	**349**	337
	1,564	1,338

Commercial paper

The Company is authorized to issue $1.2 billion of commercial paper against its long-term committed credit facilities. At December 31, 2023 and 2022, the Company had a nil outstanding balance of commercial paper notes.

Maturity analysis of financial obligations

The table below analyzes the remaining contractual maturities at December 31, 2023 of the Company's financial liabilities based on the contractual undiscounted cash flows.

	2024	**2025**	**2026**	**2027**	**2028**	**2029 and thereafter**
Accounts payable and accrued liabilities	961	–	–	–	–	–
Long-term debt:						
Principal	531	679	351	25	220	9,301
Interest expense (1)	491	475	426	414	407	7,542
Derivatives (2)	49	20	9	5	1	24
	2,032	1,174	786	444	628	16,867

(1) Interest payments on floating rate debt have been estimated using rates in effect at December 31, 2023. Interest payments on debt that has been hedged have been estimated using hedged rates.

(2) Payments on outstanding derivatives have been estimated using exchange rates and commodity prices in effect at December 31, 2023.

The table below analyzes the remaining contractual maturities at December 31, 2022 of the Company's financial liabilities based on the contractual undiscounted cash flows, as reported in the consolidated financial statements for the year ended December 31, 2022.

	2023	2024	2025	2026	2027	2028 and thereafter
Accounts payable and accrued liabilities	1,161	–	–	–	–	–
Long-term debt:						
Principal	109	458	346	395	3	8,828
Interest expense (1)	412	426	422	414	376	7,196
Derivatives (2)	160	52	21	10	10	–
	1,842	936	789	819	389	16,024

(1) Interest payments on floating rate debt have been estimated using rates in effect at December 31, 2022. Interest payments on debt that has been hedged have been estimated using hedged rates.

(2) Payments on outstanding derivatives have been estimated using exchange rates and commodity prices in effect at December 31, 2022.

22. CAPITAL DISCLOSURES

The Company's objectives when managing capital are to:

1. Safeguard the Company's ability to continue as a going concern so it can continue to provide returns to share owners and benefits for other stakeholders.
2. Maintain strong investment-grade credit ratings in order to provide efficient and cost-effective access to funds required for operations and growth.

The Company considers both its regulated and non-regulated operations, as well as changes in economic conditions and risks impacting its operations, in managing its capital structure. The Company may adjust the dividends paid to share owners, issue or purchase Class I and Class II Shares, issue or redeem preferred shares, and issue or repay short-term debt and long-term debt. Financing decisions are based on assessments by management in line with the Company's objectives, with a goal of managing the financial risk to the Company as a whole.

While the Alberta based Utilities have as their objective to be capitalized according to the AUC-approved capital structure, the Company as a whole is not restricted in the same manner. The Company sets its capital structure relative to risk and to meet financial and operational objectives, while factoring in the decisions of the regulator.

The Company also manages capital to comply with the customary covenants on its debt. A common financial covenant for the Company's corporate long-term debts and credit facilities is that total debt divided by total capitalization must be less than 75 per cent calculated at the end of each quarter. The Company defines total debt as the sum of bank indebtedness, short-term debt and long-term debt (including its respective current portion). It defines total capitalization as the sum of Class I and Class II shares, contributed surplus, retained earnings, AOCI, NCI and total debt. Management maintains the debt capitalization ratio well below 75 per cent to sustain access to cost-effective financing.

Debt capitalization does not have standardized meaning under IFRS Accounting Standards and might not be comparable to similar measures presented by other companies. Also, the definitions of total debt and total capitalization vary slightly in the Company's debt-related agreements.

The Company's capitalization at December 31 is as follows:

	2023	2022
Long-term debt	**11,048**	10,087
Class I and Class II shares	**187**	179
Contributed surplus	**14**	10
Retained earnings	**4,216**	4,090
Accumulated other comprehensive income	**6**	97
Non-controlling interests	**4,075**	3,968
Total equity	**8,498**	8,344
Total capitalization	**19,546**	18,431
Debt capitalization	**57 %**	55 %

Certain subsidiaries and project finance debts, included in long-term debt, are required to maintain minimum trailing twelve month debt service and interest coverage ratios between 1.15x to 3x, calculated at the end of each quarter. Debt service and interest coverage ratios are calculated based on earnings before interest, taxes, depreciation and amortization (EBITDA) over interest expense, as defined in the agreements.

For the year ended December 31, 2023, the Company complied with externally imposed requirements on its capital, including financial covenants related to long term debt, credit facilities and project financings.

23. MATERIAL JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Material judgments, estimates and assumptions made by the Company are outlined below.

ACCOUNTING JUDGMENTS

Revenue related items

The Company makes judgments with respect to: determining whether the promised goods and services are considered distinct performance obligations by considering the relationship of such promised goods and services; allocating the transaction price for each distinct performance obligation identified through stand-alone selling price; evaluating when a customer obtains control of the goods or services promised; and evaluating whether the Company acts as principal or agent on certain flow-through charges to customers.

Impairment of financial assets

The impairment loss allowance for financial assets is based on assumptions about risk of default and expected loss rates. The Company makes judgments in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Associates

Judgment is required when assessing the classification of an investment as an associate. When making this assessment, the Company considers the structure of the investment, the legal form of any separate vehicles, the contractual terms of the investment, and other facts and circumstances.

Joint arrangements

Judgment is required when assessing the classification of a joint arrangement as a joint operation or a joint venture. When making this assessment, the Company considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements, and other facts and circumstances.

Impairment of long-lived assets

Long-lived assets consist primarily of property, plant and equipment, intangibles, rights-of-use assets, goodwill and equity-accounted investments. Indicators of impairment are considered when evaluating whether or not a long-lived asset is impaired. Factors which could indicate an impairment exists include: significant underperformance relative to historical or projected operating results, significant changes in the way in which an asset is used including the potential impact of climate change and energy transition risks, significant negative industry or economic trends, decline in strategic value, or adverse decisions by regulators. Events indicating an impairment may be clearly identifiable or based on an accumulation of individually insignificant events over a period of time. Measurement uncertainty is increased where the Company is not the operator of a facility. The Company continually monitors its operating facilities and the markets and business environment in which it operates. Judgments and assessments about conditions and events are made in order to conclude whether a possible impairment exists.

Property, plant and equipment and intangibles

The Company makes judgments to: assess the nature of the costs to be capitalized and the time period over which they are capitalized in the purchase or construction of an asset; evaluate the appropriate level of componentization where an asset is made up of individual components for which different depreciation and amortization methods and useful lives are appropriate; distinguish major overhauls to be capitalized from repair and maintenance activities to be expensed; and determine the useful lives over which assets are depreciated and amortized.

Leases

The Company evaluates contract terms and conditions to determine whether they contain or are leases. Where a lease exists, the Company determines whether substantially all of the significant risks and rewards of ownership are transferred to the customer, in which case it is accounted for as a finance lease, or remain with the Company, in which case it is accounted for as an operating lease.

In the situation where the implicit interest rate in the lease is not readily determined, the Company uses judgment to estimate the incremental borrowing rate for discounting the lease payments. The Company's incremental borrowing rate generally reflects the interest rate that the Company would have to pay to borrow a similar amount at a similar term and with a similar security. The Company estimates the lease term by considering the facts and circumstances that create an economic incentive to exercise an extension or termination option. Certain qualitative and quantitative assumptions are used when evaluating these incentives.

Income taxes

The Company makes judgments with respect to changes in tax legislation, regulations and interpretations thereof. Judgment is also applied to estimating probable outcomes, when temporary differences will reverse, and whether tax assets are realizable. When tax legislation is subject to interpretation, management periodically evaluates positions taken in tax filings and records provisions where appropriate.

ACCOUNTING ESTIMATES AND ASSUMPTIONS

Revenue recognition

An estimate of usage not yet billed is included in revenues from the regulated distribution of natural gas and electricity as well as retail electricity and natural gas services. The estimate is derived from unbilled gas and electricity distribution services supplied to customers and is based on historical consumption patterns. Management applies judgment to the measurement and value of the estimated consumption.

Impairment of financial assets

The impairment loss allowance for financial assets is based on assumptions about risk of default and expected loss rates. The Company makes judgments in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Useful lives of property, plant and equipment and intangibles

Useful lives are estimated based on current facts and past experience taking into account the anticipated physical life of the asset, existing long-term sales agreements and contracts, current and forecast demand, and the potential for technological obsolescence including the potential impact of climate change and energy transition risks.

Impairment of long-lived assets

The Company continually monitors its long-lived assets and the markets and business environment in which it operates for indications of asset impairment. Where necessary, the Company estimates the recoverable amount for the CGU to determine if an impairment loss is to be recognized. These estimates are based on assumptions, such as the price for which the assets in the CGU could be obtained or future cash flows that will be produced by the CGU, discounted at an appropriate rate. Subsequent changes to these estimates or assumptions could significantly impact the carrying value of the assets in the CGU.

Leases

Useful lives of right-of-use assets are based on current facts and past experience taking into account the anticipated physical life of the asset, existing long-term sales agreements and contracts, current and forecast demand, and the potential for technological obsolescence.

Retirement benefits

The Company consults with qualified actuaries when setting the assumptions used to estimate retirement benefit obligations and the cost of providing retirement benefits during the period. These assumptions reflect management's best estimates of the long-term inflation rate, projected salary increases, retirement age, discount rate, health care costs trend rates, life expectancy and termination rates. The discount rate is determined by reference to market yields on high quality corporate bonds. Since the discount rate is based on current yields, it is only a proxy for future yields. Significant assumptions used to determine the retirement benefit cost and obligation are shown in Note 15.

Asset retirement obligations

The Company's estimates regarding asset retirement costs and related obligations change as a result of changes in cost estimates, legal and constructive requirements, market rates and technological advancement. The significant assumptions used to record asset retirement obligations include, but are not limited to, expected timing of retirement of an asset, scope and costs of retirement and reclamation activities, rates of inflation and a pre-tax risk-free discount rate. The estimates and assumptions for asset retirement obligations are reviewed at each reporting period. Changes to the estimates or assumptions could significantly impact the carrying values of the asset retirement obligations.

Income taxes

Management periodically evaluates positions taken in tax filings where tax legislation is subject to interpretation, and records provisions where appropriate. The provisions are management's best estimates of the expenditures required to settle the present obligations at the balance sheet date measured using either the most likely amount method or the expected value method based on the sum of the probability-weighted amounts in a range of possible outcomes, depending on which method the Company expects to better estimate the amount of the provision.

Fair value measurements

The Company has material accounting policies and disclosures that require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring the fair value of an asset or a liability, the Company uses observable market data, where available. Significant unobservable inputs and valuation adjustments are periodically reviewed. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the Company uses the evidence obtained from third parties to support measurement valuations.

In respect to business combinations that are accounted under the acquisition method, the Company estimates the fair value of assets acquired, liabilities assumed, and non-controlling interest in the acquiree based on assumptions a marketplace participant would consider. Estimates made in valuing assets acquired include, among other things, future expected cash flows and discount rates. These estimates are based on historical information from the acquired business and relevant market and industry data. The Company generally engages external valuation advisors to assist in the valuation of certain assets acquired and liabilities assumed. Such valuations require management to make estimates and assumptions, especially with respect to property plant and equipment and intangible assets acquired.

In connection with the acquisition of the renewable energy business (see Note 24), the fair value of the property, plant and equipment, comprising of the Forty Mile and Adelaide wind assets, was determined using the cost approach. This approach uses the assets' replacement cost with adjustments for loss of value resulting from physical deterioration and functional and economic obsolescence (replacement cost new method (RCN)).

24. BUSINESS COMBINATIONS AND OTHER TRANSACTIONS

ACQUISITION OF RENEWABLE ENERGY BUSINESS

On January 3, 2023, ATCO Renewables Ltd. (previously, ATCO Power (2010) Ltd.), a wholly owned subsidiary of Canadian Utilities Limited, acquired from Suncor Energy Inc. (Suncor) 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. The finalized working capital adjustment, which resulted in an additional payment of $16 million to Suncor, was recorded during the second quarter ended June 30, 2023. Identifiable assets acquired and liabilities assumed are $691 million.

The transaction was primarily financed by an unsecured non-revolving credit facility issued by a syndicate of lenders (see Note 14). The acquisition was accounted for as a business acquisition and its results are included in the ATCO EnPower (previously reported as Energy Infrastructure) operating segment.

The fair values of the identifiable assets acquired and liabilities assumed were as follows:

	Preliminary Values	Adjustments [1]	Final Values
Assets			
Accounts receivable and contract assets	**10**	**1**	**11**
Property, plant and equipment	**641**	**(1)**	**640**
Construction work-in-progress	**46**	**(46)**	**–**
Intangible assets	**61**	**46**	**107**
Other assets	**9**	**–**	**9**
Right-of-use assets	**3**	**2**	**5**
Goodwill	**145**	**(4)**	**141**
Total assets	**915**	**(2)**	**913**
Liabilities and non-controlling interest			
Accounts payable and accrued liabilities	**(37)**	**–**	**(37)**
Deferred income tax liabilities	**(150)**	**5**	**(145)**
Lease liabilities	**(3)**	**(2)**	**(5)**
Other liabilities	**(7)**	**(1)**	**(8)**
Non-controlling interest	**(27)**	**–**	**(27)**
Total liabilities and non-controlling interest	**(224)**	**2**	**(222)**
Total identifiable net assets acquired	**691**	**–**	**691**

(1) The Company recorded certain adjustments to the purchase price allocation during the year ended December 31, 2023 following the finalization of the fair values of the identifiable assets acquired and liabilities assumed.

From the date of acquisition, revenues and other income of $77 million, and earnings attributable to Class I and Class II share owners of the Company of $6 million were included in the consolidated statements of earnings for the year ended December 31, 2023. Acquisition costs of $2 million for incremental legal and advisory services fees incurred were recognized as expenses during the fourth quarter ended December 31, 2022.

Given the January 3, 2023 date of the acquisition, actual revenues and other income, and earnings attributable to Class I and Class II share owners of the Company are indicative of pro-forma results for the year ended December 31, 2023, if the acquisition had occurred on January 1, 2023.

ACQUISITION OF TRIPLE M HOUSING LTD. (TRIPLE M)

On December 7, 2022, ATCO Structures & Logistics Ltd., a subsidiary of the Company, acquired a 100 per cent ownership interest in Triple M, a manufacturer of factory-built, modular housing in Alberta, Canada. The acquisition is reported in the Structures & Logistics segment.

The aggregate consideration paid for Triple M was $44 million, which included cash acquired of $3 million and identifiable assets acquired and liabilities assumed of $41 million. There is no contingent consideration with this acquisition.

The fair values of the identifiable assets acquired and liabilities assumed were as follows:

Assets	
Accounts receivable and contract assets	**3**
Inventory	**9**
Property, plant and equipment	**2**
Intangible assets (1)	**28**
Rights-of-use asset	**25**
Goodwill	**16**
Other assets	**1**
Total Assets	**84**
Liabilities	
Deferred income tax liabilities	**(6)**
Other liabilities	**(12)**
Lease liabilities	**(25)**
Total Liabilities	**(43)**
Total identifiable net assets acquired	**41**

(1) Other intangible assets comprise brand name, $11 million, dealer relationships, $16 million, and non-compete agreements, $1 million.

From the date of acquisition, revenues of $5 million and earnings attributable to Class I and Class II shares of less than $1 million were included in the consolidated statements of earnings for the year ended December 31, 2022. Acquisition costs of $1 million for incremental legal and advisory services fees were expensed during the year ended December 31, 2022 and included in other costs and expenses in the consolidated statements of earnings.

The Company's pro-forma consolidated revenues and earnings attributable to Class I and Class II shares for the year ended December 31, 2022, would have been $5,067 million and $375 million, respectively, if the acquisition had occurred on January 1, 2022. These pro-forma adjustments reflect the Company's adjustments for depreciation and amortization if the purchase price allocation occurred on January 1, 2022 and differences in accounting policies. These pro-forma results may not necessarily be indicative of actual results had the acquisition occurred on January 1, 2022.

PARTNERSHIP WITH CHINIKI AND GOODSTONEY FIRST NATIONS

In September 2023, Canadian Utilities Limited announced the formation of a partnership for the Deerfoot and Barlow Solar power projects with the Chiniki and Goodstoney First Nations (the First Nations) through its wholly owned subsidiary, ATCO Renewables Ltd. As a result of the partnership's formation, the First Nations and ATCO Renewables Ltd. have become 51 per cent and 49 per cent, owners of the solar projects, respectively. The solar projects are included in the ATCO EnPower operating segment.

For accounting purposes, the Company has applied judgement in determining that it continues to retain material financial risks in the projects, and therefore has accounted for the partnership as a controlled subsidiary using the consolidation method of accounting.

25. INVESTMENT IN ASSOCIATE COMPANY

Inversiones ATCO Chile Limitada, a wholly owned subsidiary of the Company, has a 40 per cent interest in Neltume Ports S.A. (Neltume Ports), a port operator and developer with a diversified portfolio of 18 multi-purpose, bulk cargo, and container port facilities and five port operation services. The business is primarily located in Chile with additional operations in Uruguay, Argentina, Brazil and the United States.

The equity interest in Neltume Ports is reported as a separate operating segment (see Note 3).

Selected information from the statement of earnings and comprehensive income for the year ended December 31 is as follows:

	2023	2022
Statement of earnings and other comprehensive (loss) income		
Revenues	**460**	413
Depreciation and amortization	**(69)**	(64)
Interest income	**10**	4
Interest expense	**(6)**	(10)
Income taxes	**(14)**	(7)
Earnings attributable to:		
Neltume Ports' share owners	**55**	36
Non-controlling interests	**6**	6
	61	42
Other comprehensive (loss) income attributable to:		
Neltume Ports' share owners	**(12)**	8
Non-controlling interests	**1**	(6)
	(11)	2
ATCO's share of earnings	**22**	14
ATCO's share of other comprehensive (loss) income	**(5)**	3

The summarized financial information at December 31 of Neltume Ports, over which the Company has significant influence, is provided below.

	2023	2022
Balance sheet		
Cash and cash equivalents	**229**	232
Other current assets	**94**	106
Current assets	**323**	338
Non-current assets	**1,262**	1,261
Total assets	**1,585**	1,599
Financial liabilities (1)	**(49)**	(49)
Other current liabilities	**(63)**	(55)
Current liabilities	**(112)**	(104)
Financial liabilities (1)	**(122)**	(144)
Other non-current liabilities	**(150)**	(124)
Non-current liabilities	**(272)**	(268)
Total liabilities	**(384)**	(372)
Net assets attributable to:		
Neltume Ports' share owners	**1,160**	1,183
Non-controlling interests	**41**	44
	1,201	1,227
ATCO's share of net assets	**464**	473

(1) Financial liabilities are comprised mainly of long-term debt.

A reconciliation of the carrying amount of the investment in associate company for the year ended December 31 is as follows:

	2023	2022
Beginning of year	**473**	445
ATCO's share of earnings	**22**	14
ATCO's share of other comprehensive (loss) income	**(5)**	3
Dividends received	**(16)**	(15)
Foreign exchange	**(10)**	31
Other	**–**	(5)
End of year	**464**	473

26. SUBSIDIARIES

Principal operating subsidiaries are listed below. Subsidiaries are wholly owned, unless otherwise indicated.

Principal Operating Subsidiaries	Principal Place of Business	Principal Activity
ATCO Structures & Logistics Ltd.	Canada	Workforce housing, modular facilities, construction, site support services and logistics and operations management
Inversiones ATCO Chile Limitada	Chile	Holds 40 per cent investment in associate, Neltume Ports S.A.
Canadian Utilities Limited (1)	Canada	Holding company
ATCO Next Energy Ltd. (2)	Canada	Develops, owns and operates non-regulated energy and water-related infrastructure
ATCO Renewables Ltd. (2)	Canada	Electricity generation and related infrastructure services
2240385 Alberta Ltd.	Canada	Holds 50 per cent investment in joint venture, LUMA Energy, LLC
Electricidad del Golfo, S. de R.L. de C.V.	Mexico	Electricity generation and related infrastructure services
ATCO Gas Australia Pty Ltd	Australia	Natural gas distribution services
ATCO Australia Pty Ltd	Australia	Electricity generation services
ATCO Energy Ltd.	Canada	Electricity and natural gas retailer and a provider of whole-home solutions
CU Inc.	Canada	Holding company
ATCO Electric Ltd. (3)	Canada	Electricity transmission, distribution, and related infrastructure services
ATCO Gas and Pipelines Ltd. (4)	Canada	Natural gas transmission, distribution, and related infrastructure services

(1) At December 31, 2023, ATCO Ltd. has an ownership interest of 52.7 per cent (2022 - 52.9 per cent).

(2) In December 2023, ATCO Energy Solutions Ltd. and ATCO Power (2010) Ltd. were renamed to ATCO Next Energy Ltd. and ATCO Renewables Ltd., respectively.

(3) ATCO Electric Ltd. comprises two divisions, ATCO Electric Transmission and ATCO Electric Distribution.

(4) ATCO Gas and Pipelines Ltd. comprises two divisions, ATCO Pipelines and ATCO Gas.

27. INVESTMENT IN JOINT VENTURES

The carrying amount of the investment in joint ventures for the year ended December 31 is as follows:

	Strathcona Storage LP		Other joint ventures		Total	
	2023	2022	2023	2022	2023	2022
Beginning of year	**146**	147	**118**	81	**264**	228
The Company's share of net earnings	**10**	10	**62**	71	**72**	81
The Company's share of other comprehensive income	**–**	–	**3**	1	**3**	1
Dividends received	**(14)**	(14)	**(68)**	(59)	**(82)**	(73)
Change in ownership of NUE *(Note 3)*	**–**	–	**–**	17	**–**	17
Contributions	**5**	3	**2**	5	**7**	8
Foreign exchange	**–**	–	**(4)**	2	**(4)**	2
End of year	**147**	146	**113**	118	**260**	264

Strathcona Storage LP

Strathcona Storage Limited Partnership (Strathcona Storage LP) is a partnership that operates hydrocarbon storage facilities at the Alberta Industrial Heartland near Fort Saskatchewan, Alberta. The facility consists of five underground storage salt caverns, which have a combined storage capacity of 544,000 cubic metres (m^3).

ATCO Next Energy Ltd. (previously, ATCO Energy Solutions Ltd.), a wholly owned subsidiary of Canadian Utilities Limited, holds a 60 per cent ownership in Strathcona Storage LP and its equity interest is included in the ATCO EnPower (previously reported as Energy Infrastructure) operating segment.

Selected information from the statement of earnings for the year ended December 31 of Strathcona Storage LP is as follows:

	2023	2022
Statement of earnings		
Revenues	**37**	35
Depreciation and amortization	**(8)**	(7)
Operating expenses	**(12)**	(12)
Earnings	**17**	16
The Company's share of earnings	**10**	10

Strathcona Storage LP had no other comprehensive income for the years ended December 31, 2023 and 2022.

Summarized financial information from the balance sheet at December 31 of Strathcona Storage LP is provided below.

	2023	2022
Balance sheet		
Cash and cash equivalents	**6**	2
Other current assets	**3**	5
Current assets	**9**	7
Non-current assets	**256**	253
Total assets	**265**	260
Current liabilities	**(5)**	(4)
Non-current liabilities	**(15)**	(13)
Total liabilities	**(20)**	(17)
Net assets	**245**	243
The Company's share of net assets	**147**	146

Other joint ventures

Other joint ventures of the Company comprise 11 joint ventures, which include LUMA Energy and Osborne Cogeneration Facility described below.

LUMA Energy

LUMA Energy, LLC (LUMA Energy) is a limited liability 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) over a term of 15 years. Under the terms of the agreement, LUMA Energy will not assume ownership of the electricity transmission and distribution system. The Company provided a guarantee of up to $105 million USD to PREPA in connection with the services to be performed by LUMA Energy under the Operations and Maintenance Agreement.

LUMA Energy currently operates 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. The agreement allows LUMA Energy to collect an annualized fixed fee (indexed to inflation) equivalent of $115 million USD. Following the resolution of PREPA's bankruptcy proceeding, LUMA Energy will transition to year one of the Operations and Maintenance Agreement.

2240385 Alberta Ltd., a wholly owned subsidiary of Canadian Utilities Limited, holds a 50 per cent ownership in LUMA Energy and its interest is reported in the ATCO Energy Systems, Electricity (previously reported as Utilities, Electricity) operating segment.

For the year ended December 31, 2023, the Company's share in LUMA Energy's net earnings and dividends received amounted to $52 million (2022 - $53 million) and $55 million (2022 - $51 million), respectively.

For the year ended December 31, 2023, the Company recognized revenues of $26 million (2022 - $29 million) primarily for services provided to LUMA Energy at cost.

Osborne Cogeneration Facility

The Osborne Cogeneration Facility is a 180 megawatt natural gas-fired combined cycle facility located in South Australia. The facility has a power purchase agreement with Origin Energy Electricity Limited (Origin Energy) with an expiry date of December 31, 2026 with an option to extend for one year.

ATCO Australia Pty Ltd, a wholly owned subsidiary of Canadian Utilities Limited, holds a 50 per cent ownership in the Osborne Cogeneration Facility and its interest is reported in the ATCO EnPower operating segment.

For the year ended December 31, 2023, the Company's share in Osborne Cogeneration Facility's net earnings and dividends amounted to $6 million (2022 - $12 million) and $7 million (2022 - $5 million), respectively.

Commitments

The joint ventures have contractual obligations in the normal course of business. The Company's total share of these unrecognized commitments, based on contractual undiscounted cash flows, was $31 million at December 31, 2023 (2022 - $37 million).

Dividends and Distributions

The Company requires approval from its joint venture partners before any dividends or distributions can be paid.

28. NON-CONTROLLING INTERESTS

Non-controlling interests at December 31 are as follows:

	2023	2022
NCI in Canadian Utilities Limited	**4,082**	3,975
NCI in ATCO Espaciomovil S.A.P.I. de C.V., 70 per cent owned subsidiary of ATCO Structures & Logistics Ltd.	**(7)**	(7)
	4,075	3,968

NCI in CANADIAN UTILITIES LIMITED

Non-controlling interests in Canadian Utilities Limited at December 31 are as follows:

	2023	2022
Class A non-voting shares and Class B common shares	**%**	**%**
Total ownership interest held	**47.3**	47.1
Proportion of voting rights held (Class B Voting Common shares of Canadian Utilities Limited) [1]	**0.4**	3.2
Proportion of non-voting rights held (Class A Non-voting shares of Canadian Utilities Limited)	**62.6**	62.1

(1) On December 15, 2023, Canadian Utilities Limited completed a transaction by way of a plan of arrangement to exchange the Class B Voting shares held by non-controlling Class B Share Owners to Class A Non-voting shares. Under the terms of the arrangement, each Class B Voting share was exchanged for 1.1 Class A Non-voting shares. The Company did not participate in the arrangement.

The summarized consolidated financial information for Canadian Utilities Limited, before inter-company eliminations, is provided below.

	2023	2022
Consolidated Statements of Comprehensive Income		
Revenues	**3,796**	4,048
Earnings for the year	**717**	639
Attributable to NCI:		
Earnings for the year	**387**	337
Other comprehensive (loss) income	**(59)**	69
Total comprehensive income	**328**	406
Consolidated Balance Sheets		
Current assets	**1,437**	1,867
Non-current assets	**21,721**	20,107
Current liabilities	**(1,422)**	(1,317)
Non-current liabilities	**(14,580)**	(13,591)
Net assets	**7,156**	7,066
Attributable to NCI	**4,082**	3,975
Consolidated Statements of Cash Flows		
Cash flows from operating activities	**1,780**	2,140
Cash flows used in investing activities	**(2,253)**	(1,256)
Cash flows used in financing activities	**(19)**	(932)
Decrease in cash position	**(492)**	(48)
Dividends paid to NCI		
Class A and Class B share owners	**229**	226
Equity preferred shares	**84**	82
Adelaide Limited Partnership	**5**	–
	318	308

CANADIAN UTILITIES LIMITED MID-TERM INCENTIVE PLAN

In May 2023, Canadian Utilities Limited terminated its MTIP Plan. Following its termination, all of the 440,554 Class A shares that were held in trust for the MTIP were sold for proceeds of $17 million. The cost of the Class A shares sold of $14 million was recorded as an increase to Class A and Class B shares and the after tax gain of $2 million was recorded as an increase to contributed surplus.

CANADIAN UTILITIES LIMITED DIVIDEND REINVESTMENT PROGRAM

Canadian Utilities Limited has a dividend reinvestment program (DRIP) for eligible Class A non-voting (Class A) and Class B voting common (Class B) share owners who are enrolled in the program. The DRIP allows eligible Class A and Class B share owners of Canadian Utilities Limited to reinvest all or a specified portion of their dividends in additional Class A shares.

The Class A shares are issued from treasury at a two per cent discount to the volume weighted average price of the Class A shares traded on the Toronto Stock Exchange during the last five qualifying trading days preceding the dividend payment date.

During the year ended December 31, 2023, non-controlling interests acquired 828,033 (2022 - 527,471) Class A shares of Canadian Utilities Limited, using re-invested dividends of $27 million (2022 - $20 million). The shares were priced at an average of $32.28 per share (2022- $37.26 per share).

EQUITY PREFERRED SHARES

Equity preferred shares held by non-controlling interests at December 31 are shown below.

	2023	2022
CU Inc. Equity Preferred Shares		
Cumulative Redeemable Preferred Shares, at 2.292% to 4.60%	**190**	190
Canadian Utilities Limited Equity Preferred Shares		
Cumulative Redeemable Second Preferred Shares, at 4.50% to 5.25%	**1,601**	1,601
Issuance costs	**(30)**	(30)
	1,761	1,761

Rights and privileges

Preferred shares	Redemption Amount (1)	Quarterly Dividend (2)	Reset Premium (3)	Date Redeemable/ Convertible	Convertible To
Cumulative Redeemable Preferred Shares					
Series 1	25.00	0.2875	Does not reset	Currently redeemable	Not convertible
Series 4	25.00	0.14325	1.36 %	June 1, 2026 (4)	Series 5 (5)
Cumulative Redeemable Second Preferred Shares					
Series Y (7)	25.00	0.32475	2.40 %	June 1, 2027 (4)	Series Z (5)
Series AA	25.00	0.30625	Does not reset	September 1, 2017 (6)	Not convertible
Series BB	25.00	0.30625	Does not reset	September 1, 2017 (6)	Not convertible
Series CC	25.00	0.28125	Does not reset	June 1, 2018 (6)	Not convertible
Series DD	25.00	0.28125	Does not reset	September 1, 2018 (6)	Not convertible
Series EE	25.00	0.328125	Does not reset	September 1, 2020 (6)	Not convertible
Series FF	25.00	0.28125	3.69 %	December 1, 2025 (4)	Series GG (5)
Series HH	25.00	0.296875	Does not reset	March 1, 2027 (6)	Not convertible

(1) Plus accrued and unpaid dividends.

(2) Cumulative, payable quarterly as and when declared by the Board.

(3) Dividend rate will reset on the date redeemable/convertible and every five years thereafter at a rate equal to the Government of Canada yield plus the reset premium noted.

(4) Redeemable by the Company or convertible by the holder on the date noted and every five years thereafter.

(5) If converted, holders will be entitled to receive quarterly floating rate dividends equal to the Government of Canada Treasury Bill yield plus the reset premium noted. Holders have the option to convert back to the original preferred shares series on subsequent redemption dates.

(6) Subject to a redemption premium of 4 per cent per share. The redemption premium declines by 1 per cent in each succeeding twelve month period from the redeemable date.

(7) Effective June 1, 2022, the annual dividend rate for the Series Y Preferred Shares was reset at 5.196 per cent for the five-year period from June 1, 2022 to May 31, 2027. Prior to the reset on June 1, 2022, the annual dividend rate was 3.403 per cent.

29. SHARE-BASED COMPENSATION PLANS

PLAN FEATURES

Share based forms of compensation are granted at the discretion of the Corporate Governance – Nomination, Compensation and Succession Committee (GOCOM). Plan features are described below.

Form of compensation	Eligibility	Vesting Period	Term	Settlement
Stock options (1), (2)	Officers and key employees	20% per year over 5 years	10 years	Class I shares (3)
		25% per year over 4 years	8 years	Class I shares (3)
Share appreciation rights (1)	Directors, officers and key employees	20% per year over 5 years	10 years	Cash
	International executives and key employees	4 or 5 years	4 or 5 years	Cash
Restricted share units	Officers and key employees	25% in years 1 and 2 and 50% in year 3	3 years	Cash
Mid-term incentive plan (4)	Officers and key employees	2-3 years	2-3 years	Class I shares

(1) *Exercise price is 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 date of grant.*

(2) *Stock Options granted from 2020 onwards vest over 4 years with a term of 8 years. Stock Options that were granted prior to 2020 vest over 5 years with a term of 10 years.*

(3) *Issued from Treasury.*

(4) *In 2023, the mid-term incentive plan was terminated and all Class I shares held with the trustee were sold (see Note 18).*

STOCK OPTION PLAN

Information about the options outstanding and exercisable at December 31 is summarized below.

		2023		2022
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Options authorized for grant	**10,200,000**		10,200,000	
Options available for issuance	**7,829,400**		8,305,300	
Outstanding options, beginning of year	**1,882,600**	**$44.71**	1,431,050	$43.70
Granted	**577,000**	**36.46**	482,000	47.54
Exercised	**(4,900)**	**41.45**	(15,200)	38.60
Forfeited	**(29,100)**	**48.16**	(15,250)	46.32
Expired	**(72,000)**	**44.98**	–	–
Outstanding options, end of year	**2,353,600**	**$42.64**	1,882,600	$44.71
Options exercisable, end of year	**1,076,850**	**$44.03**	817,100	$44.15

Options			Outstanding		Exercisable
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$36.41 - $38.93	1,033,550	6.3	$37.34	364,300	$38.51
$40.38 - $42.77	98,250	4.4	42.00	90,750	42.04
$45.09 - $49.51	1,158,300	5.6	46.92	558,300	47.06
$50.33 - $51.97	63,500	0.2	51.95	63,500	51.95
$36.41 - $51.97	2,353,600	5.7	$42.64	1,076,850	$44.03

Compensation expense related to stock options was $3 million in 2023 (2022 - $2 million), with a corresponding increase to contributed surplus.

SHARE APPRECIATION RIGHTS

Information about the share appreciation rights (SARs) outstanding and exercisable at December 31 is summarized below.

		2023		2022
	SARs	Weighted Average Exercise Price	SARs	Weighted Average Exercise Price
Outstanding SARs, beginning of year	**630,600**	**$46.06**	639,700	$46.01
Granted	**18,000**	**36.41**	21,000	47.54
Exercised	**(6,400)**	**41.88**	(11,100)	37.83
Forfeited	**(28,850)**	**49.24**	(6,000)	47.51
Expired	**(92,000)**	**44.31**	(13,000)	49.12
Outstanding SARs, end of year	**521,350**	**$45.91**	630,600	$46.06
SARs exercisable, end of year	**440,350**	**$46.12**	510,350	$46.08

SARs			Outstanding		Exercisable
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$36.41 - $38.93	100,800	2.4	$38.44	75,800	$38.93
$40.38 - $42.08	83,250	4.2	42.06	83,250	42.06
$45.38 - $49.51	273,800	2.1	48.42	217,800	48.48
$50.33 - $51.97	63,500	0.2	51.95	63,500	51.95
$36.41 - $51.97	521,350	2.2	$45.91	440,350	$46.12

In 2023, compensation expense related to SARs was a credit of $1 million due to a decrease in the share price of Class I shares (2022- expense of $1 million). The total carrying value of liabilities arising from SARs at December 31, 2023 was $2 million (2022 - $3 million). The total intrinsic value of all vested SARs at December 31, 2023 was nil (2022 - less than $1 million).

STOCK OPTION AND SARS WEIGHTED AVERAGE ASSUMPTIONS

The Company uses the Black-Scholes option pricing model to estimate the weighted average fair value of the stock options and SARs granted. The following weighted average assumptions were used:

		2023		2022
	Options	SARs	Options	SARs
Class I share price	**$36.46**	**$36.41**	$47.54	$47.54
Risk-free interest rate	**3.78 %**	**3.56 %**	3.17 %	3.56 %
Share price volatility (1)	**24.45 %**	**29.62 %**	25.98 %	29.62 %
Estimated annual Class I share dividend	**5.13 %**	**3.98 %**	3.98 %	3.98 %
Expected holding period prior to exercise	**7 years**	**4 years**	7 years	4 years

(1) The share price volatility is based on historical data and reflects the assumption that historical volatility over a period similar to the life of the option or SAR is indicative of future trends, which may not necessarily be indicative of exercise patterns that may occur.

RESTRICTED SHARE UNIT PLAN

Effective September 12, 2023, the GOCOM adopted a service period-based Restricted Share Unit (RSU) Plan to grant RSUs to its officers and key employees. RSUs will be settled in cash at an amount based on the Class I share price at vesting date. The vesting period is three years. In 2023, the Company did not grant any RSUs.

MID-TERM INCENTIVE PLAN

Information about the MTIPs outstanding at December 31 is summarized below.

	2023		2022	
	MTIPs	Weighted Average Grant Date Fair Value	MTIPs	Weighted Average Grant Date Fair Value
Outstanding MTIPs, beginning of year	–	–	3,150	$44.38
Exercised	–	–	(3,150)	44.38
Outstanding MTIPs, end of year	–	–	–	–
Unallocated shares held by trustee (1)	–		254,021	
Total number of shares held by trustee, end of year	–		254,021	

(1) Unallocated shares are Class I shares held by the trustee which have not been awarded to officers or key employees.

In May 2023, the Company terminated the MTIP plan and all shares held with the trustee have been sold (see Note 18).

Compensation expense related to MTIP awards was nil for 2023 with no affect to contributed surplus (2022 - less than $1 million with a corresponding increase to contributed surplus).

30. CONTINGENCIES

Measurement inaccuracies

Measurement inaccuracies occur from time to time on electricity and gas metering facilities. The measurement adjustments relating to the Canadian utilities are settled between the parties according to the Electricity and Gas Inspections Act (Canada) and related regulations. The AUC may disallow recovery of a measurement adjustment if it finds that controls and timely follow-up are inadequate. The measurement adjustments relating to ATCO Gas Australia are reconciled by the market operator and settled between the parties. Recovery of the costs is via a predetermined allowance contained in the current Access Arrangement.

Direct Energy Partnership retail obligation

In 2004, ATCO Gas and ATCO Electric Distribution transferred their retail energy supply businesses to Direct Energy Partnership (Direct Energy). The legal obligations of ATCO Gas and ATCO Electric Distribution for the retail functions transferred to Direct Energy, which include the supply of natural gas and electricity to customers as well as billing and customer care, remain if Direct Energy fails to perform. In certain circumstances, the functions will revert to ATCO Gas and/or ATCO Electric Distribution, with no refund of the transfer proceeds to Direct Energy.

NRG Energy Inc. (NRG), Direct Energy's parent company, provided a $360 million guarantee, supported by a $360 million letter of credit for Direct Energy's obligations to ATCO Gas and ATCO Electric Distribution under the transaction agreements. However, there can be no assurance that the coverage under these agreements will be adequate to defray all costs that could arise if the obligations are not met.

Other

The Company is party to a number of claims, disputes, lawsuits and other matters arising in the normal course of its business. The Company believes that the ultimate liability arising from these matters will have no material impact on the consolidated financial statements.

31. COMMITMENTS

Purchase obligations and other

In addition to commitments disclosed elsewhere in these financial statements, the Company has entered into a number of operating and maintenance agreements and agreements to purchase capital assets. Approximate future undiscounted payments under these agreements are as follows:

	2024	2025	2026	2027	2028	2029 and thereafter
Purchase obligations:						
Operating and maintenance agreements	**545**	**480**	**464**	**429**	**399**	**390**
Capital expenditures	**354**	**–**	**–**	**–**	**–**	**–**
Other	**81**	**22**	**6**	**6**	**6**	**6**
Other commitments	**10**	**11**	**8**	**1**	**1**	**3**
	990	**513**	**478**	**436**	**406**	**399**

Performance guarantee obligations

The Company guarantees a certain specified minimum renewable energy availability factor determined every two years on its renewable PPA agreements (see Note 20). The renewable energy generation facilities are monitored to ensure the availability factor is achieved. The Company evaluates if any amounts are due to counterparties based on not meeting the guaranteed renewable energy availability factor at the end of each reporting period. As of December 31, 2023 and 2022, the guaranteed minimum renewable energy availability factor has been met and the Company has recorded no performance guarantee obligations.

32. RELATED PARTY TRANSACTIONS

In transactions with the Company's joint ventures, the Company recognized revenues of $32 million relating to management fees and other charges (2022 - $33 million).

In transactions with the Company's group pension plans, the Company paid occupancy costs of $3 million relating to property owned by the pension plans (2022 - $3 million).

The Company received $1 million (2022 - $1 million) in retail electricity and natural gas services revenue, and incurred $3 million in advertising, promotion and other expenses from entities related through common control (2022 - $3 million).

At December 31, 2023 and 2022, CU Inc. had unsecured interest-bearing long-term advances due from NUE, a joint venture. Long term advances due from joint venture are recorded in prepaid expenses and other current assets, $3 million (2022 - nil), and other assets, $30 million (2022 - $33 million), on the consolidated balance sheets.

KEY MANAGEMENT COMPENSATION

Information on management compensation for the year ended December 31 is shown below.

	2023	2022
Salaries and short-term employee benefits	**20**	17
Retirement benefits	**2**	2
Share-based compensation	**2**	4
Other	**1**	–
	25	23

Key management personnel comprise members of executive management and the Board, a total of 21 individuals (2022 - 23 individuals).

33. ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

Subsidiaries are consolidated from the date control is obtained until the date control ends. Control exists where the Company has power over the investee, exposure or rights to variable returns from the investee and the ability to use its power over the investee to affect returns.

All intra-group balances and transactions are eliminated on consolidation.

Interests in subsidiaries owned by other parties are included in NCI. NCI in subsidiaries are identified separately from equity attributable to Class I and Class II owners of the Company. Earnings and each component of OCI are attributed to the Class I and Class II owners of the Company and to NCI, even if this results in the NCI having a deficit balance. Earnings attributable to the Class I and Class II owners are determined after adjusting for dividends on equity preferred shares held by NCI.

Changes in the Company's ownership interests that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Company's interest and the NCI are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the NCI are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the Class I and Class II owners of the Company.

ASSOCIATES

Associates are those entities over which the Company has significant influence, but not control or joint control, over the financial and operating policies. This is generally the case where the group holds between 20 per cent and 50 per cent of the voting rights.

Associates are equity accounted. Under this method, the Company's interests in associates are initially recognized at cost. The interests are subsequently adjusted to recognize the Company's share of post-acquisition profits or losses, movements in OCI and dividends or distributions received.

The Company's interests in associates are tested for recoverability when events or circumstances indicate a possible impairment. An impairment loss is recognized in earnings when the carrying value of the Company's interest in an individual associate is higher than its recoverable amount. The recoverable amount is the higher of fair value less disposal costs and value in use. An impairment loss may be reversed if there is objective evidence that a change in the estimated recoverable amount of the investment is warranted.

JOINT ARRANGEMENTS

A joint arrangement can be classified as either a joint operation or joint venture and represents the contractually agreed sharing of control by two or more parties. A joint operation is an arrangement in which the Company has the rights and obligations to the corresponding assets and liabilities of the arrangement, whereas a joint venture is an arrangement in which the Company has the rights to the net assets of the arrangement.

Joint operations are proportionately consolidated by including the Company's share of assets, liabilities, revenues, expenses and OCI in the respective consolidated accounts.

Joint ventures are equity accounted. Under this method, the Company's interests in joint ventures are initially recognized at cost. The interests are subsequently adjusted to recognize the Company's share of post-acquisition profits or losses, movements in OCI and dividends or distributions received.

The Company's interests in joint ventures are tested for recoverability when events or circumstances indicate a possible impairment. An impairment loss is recognized in earnings when the carrying value of the Company's interest in an individual joint venture is higher than its recoverable amount. The recoverable amount is the higher of fair value less disposal costs and value in use. An impairment loss may be reversed if there is objective evidence that a change in the estimated recoverable amount of the investment is warranted.

BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method. Assets acquired and liabilities assumed are measured at their fair value at the acquisition date. Acquisition costs are expensed in the period incurred.

REVENUE RECOGNITION

Revenue is allocated to the respective performance obligations based on relative transaction prices, and is recognized as goods and services are delivered to the customer. Revenue is measured as the amount of consideration expected to be received in exchange for the goods transferred or services delivered. The amount of revenue recognized reflects the time value of money where a significant financing component has been identified.

Contract modifications are accounted for prospectively or as a cumulative catch-up adjustment depending on the nature of the change.

Where the amount of goods and services delivered to the customer corresponds directly to the amount invoiced, the Company recognizes revenue equal to what it has the right to invoice.

Where the Company arranges for another party to provide a specified good or service (that is, it does not control the specified good or service provided by another party before that good or service is transferred to the customer), only revenues net of payments to the other party for the goods or services provided are recognized.

Non-cash considerations received from the Company’s customers are included in the amount of revenue recognized and measured at fair value.

Costs incurred directly to obtain or fulfill a contract are capitalized and amortized to expense over the life of the contract.

Electricity generation and delivery

Revenue from electricity generation, capacity and related products under power purchase arrangements (PPAs) or in the merchant market is recognized based on output delivered and capacity provided over the contract term and is measured at rates agreed in the PPAs or rates prevailing in the spot market. Revenue from operating and maintaining the generation plant is recognized as the Company incurs costs to service the plant.

Electricity and natural gas transmission

Revenue from electricity and natural gas transmission services is recognized when service is provided to customers and is measured in proportion to the amount it has the right to invoice under the contract.

Customer contributions for extensions to plant are recognized as revenue over the life of the related asset.

Electricity and natural gas distribution

Revenue from distribution of electricity and natural gas is recognized when the services are provided to the customer based on metered consumption, which is adjusted periodically to reflect differences between estimated and actual consumption. Distribution of regulated and non-regulated electricity and natural gas is based on tariff-approved rates established by the Alberta Electric System Operator and Natural Gas Exchange and rates stipulated in the contracts, respectively. The Company recognizes revenue in an amount that corresponds directly with the services delivered and the amount invoiced.

Customer contributions for extensions to plant are recognized as revenue over the life of the related asset.

Gas storage and transportation

Revenue from hydrocarbon storage and transportation is recognized as the service is rendered to customers based on the length of the required service and contracted schedule of injections and withdrawals from the storage facilities.

Modular structures and related services

Revenue on manufactured modular structures is recognized upon delivery to or acceptance by the customer. Revenue from certain long-term contracts that relate to highly customized modular structures is recognized over time based on the costs incurred.

Lease revenue

Operating lease revenue from the rental of modular structures and other equipment is recognized over the term of the rental contract.

Certain power purchase arrangements (PPAs) are classified as finance leases. Finance lease income is included in revenues. Non-lease components of the PPAs are accounted for based on the applicable performance obligations.

Franchise fees

Municipal governments charge franchise fees to the utilities in Canada for the exclusive right to provide service in their community. These costs are charged to customers through rates approved by the regulator. Franchise fees do not represent a separate performance obligation to a customer and are recovered through utility transmission and distribution prices. The recovery is part of the provision of continuous electricity and natural gas transmission and distribution service performance obligation. Franchise fees invoiced to customers are recognized as revenues.

SHORT-TERM EMPLOYEE BENEFITS

Short-term employee benefits are recognized as an expense in salaries, wages and benefits as employees render service. These benefits include wages, salaries, social security contributions, short-term compensated absences, incentives and non-monetary benefits, such as medical care. Costs for employee services incurred in constructing an asset that meet the asset recognition criteria are included in the related property, plant and equipment or intangible asset.

Termination benefits are recognized as an expense in salaries, wages and benefits at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognizes costs for a restructuring that includes the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer.

INCOME TAXES

Income taxes are the sum of current and deferred taxes. Income tax is recognized in earnings, except to the extent it relates to items recorded in OCI or in equity.

Current tax is calculated on taxable earnings using rates enacted or substantively enacted at the balance sheet date in the jurisdictions in which the Company operates.

The liability method is used to determine deferred income tax on temporary differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred income tax is calculated using the enacted or substantively enacted tax rates that are expected to apply in the period when the liability is settled or the asset is realized. If expected tax rates change, deferred income taxes are adjusted to the new rates.

Deferred income tax assets and liabilities are not recognized if the temporary differences arise from the initial recognition of goodwill or of other assets and liabilities in a transaction, other than a business combination, that does not affect accounting or taxable earnings. The tax effect of temporary differences from investments in subsidiaries and joint arrangements are not accounted for where the Company is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred income tax assets are recognized only when it is probable that future taxable earnings will be available against which the temporary differences can be applied.

Current income tax assets and liabilities are offset where the Company has the legally enforceable right to offset and the Company intends to either settle on a net basis or realize the asset and settle the liability simultaneously.

Deferred income tax assets and liabilities are offset where the Company has a legally enforceable right to set off tax assets and liabilities, and when the deferred income tax assets and liabilities relate to income taxes levied by the same tax authority.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash at bank, bankers' acceptances, certificates of deposit issued or guaranteed by credit worthy financial institutions and federal government issued short-term investments with maturities generally of 90 days or less at purchase.

MARKETABLE SECURITIES

Marketable securities primarily consist of highly-liquid investment grade corporate bonds and debentures, private fixed income funds, and bank loans and commercial mortgage funds. Any distributions received, including interest income from the securities, are reinvested immediately. Generally, the securities are redeemable within seven business days.

INVENTORIES

Natural gas and fuel, raw materials, work-in-progress and finished goods

Inventories are valued at the lower of cost or net realizable value. The cost of inventories that are interchangeable is assigned using the weighted average cost method. For inventories that are not interchangeable, cost is assigned using specific identification of their individual costs. Net realizable value is the estimated selling price in the ordinary course of business, less variable selling expenses.

The cost of inventories is comprised of all purchase, conversion and other costs to bring inventories to their present condition and location. Purchase costs consist of the purchase price, import duties, non-recoverable taxes, transport, handling and other costs directly attributable to the purchase of finished goods, materials or services. Conversion costs include direct material and labour costs and a systematic allocation of fixed and variable overheads incurred in converting materials into finished goods. The standard cost method is used to approximate cost in the Company's Structures & Logistics manufacturing operations.

Emission credits and allowances

Emission performance and offset credits that are internally generated are initially recognized at fair market value, which is measured using emission compliance rates in effect at the time of initial recognition. The credits are subsequently measured at the lower of fair market value at the time of initial recognition or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less variable selling expenses.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost less accumulated depreciation and any recognized impairment losses. Cost includes expenditures that are directly attributable to the purchase or construction of the asset, such as materials, labour, borrowing costs incurred during construction, contracted services and asset retirement costs. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset only when it is probable that future economic benefits will flow to the Company and the cost can be measured reliably.

Major overhaul costs are capitalized and depreciated on a straight-line basis over the period to the next major overhaul, which varies from three to eight years. The cost of repair and maintenance activities performed every two years or less which do not enhance or extend the useful life of the asset are expensed when incurred.

Borrowing costs attributable to a construction period of substantial duration are added to the cost of the asset. The effective interest method is used to calculate capitalized interest using specified rates for specific borrowings and a weighted average rate for general borrowings. Interest capitalization starts when borrowing costs and expenditures are incurred at the onset of construction and ends when construction is substantially complete.

The Company allocates the amount initially recognized in property, plant and equipment to its significant components and depreciates each component separately. Assets are depreciated mainly on a straight-line basis over their estimated useful lives. No depreciation is provided on land and construction work-in-progress.

The carrying amount of an asset is derecognized when it is replaced or disposed of from its use. When an asset is derecognized, any resulting gain or loss is recorded in earnings.

Depreciation periods for the principal categories of property, plant and equipment are shown in the table below.

	Useful Life	Average Useful Life	Average Depreciation Rate
Utility transmission and distribution:			
Electricity transmission equipment	25 to 67 years	50 years	2.0 %
Electricity distribution equipment	15 to 103 years	43 years	2.3 %
Gas transmission equipment	3 to 57 years	42 years	2.4 %
Gas distribution plant and equipment	3 to 120 years	40 years	2.5 %
Energy generation and storage:			
Gas-fired generation	10 to 15 years	14 years	7.1 %
Hydroelectric generation	43 to 50 years	50 years	2.0 %
Solar power generation	10 to 35 years	34 years	2.9 %
Wind power generation	30 years	30 years	3.3 %
Storage and other infrastructure	2 to 100 years	36 years	2.8 %
Buildings	5 to 73 years	40 years	2.5 %
Other:			
Rental assets	2 to 17 years	17 years	5.9 %
Other plant, equipment and machinery	2 to 50 years	18 years	5.5 %

Depreciation methods and the estimated residual values and useful lives of assets are reviewed on an annual basis. Any changes in these accounting estimates are recorded prospectively.

INTANGIBLES

Intangible assets are recorded at cost less accumulated amortization and any recognized impairment losses. The Company amortizes intangible assets on a straight-line basis over their useful lives. Useful life is not longer than 10 years for computer software and between 35 and 80 years for land rights based on the contractual life of the underlying agreements. Software work-in-progress is not amortized as the software is not available for use.

Intangible assets are derecognized when they are disposed of or when there is no future economic benefit to the Company. Gains and losses between the carrying amount and the disposal proceeds, if any, are recognized in earnings.

Amortization methods and useful lives of assets are reviewed annually. Any changes in these accounting estimates are recorded prospectively.

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLES

Property, plant and equipment and intangible assets with finite lives are tested for recoverability when events or circumstances indicate a possible impairment. Assets that cannot be tested individually for impairment are assessed at the CGU level to which the assets belong, which is the smallest identifiable group of assets that generates independent cash inflows. An impairment loss is recognized in earnings when the CGU's carrying value is higher than its recoverable amount. The recoverable amount is the greater of the CGU's fair value less disposal costs and its value in use. An impairment loss may be reversed in whole or in part if there is objective evidence that a change in the estimated recoverable amount is warranted. A reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized for the asset in prior years.

GOVERNMENT GRANTS

The Company receives subsidies and incentives from government entities (collectively, government grants) to subsidize capital project costs and operating and financing expenses.

Government grants are recognized when the grant conditions are met. If a government grant is a monetary asset, it will be measured at the amount received or receivable. If a government grant is a non-monetary asset, it will be measured at its fair value.

Government grants related to assets are recognized as deferred income and amortized over the useful lives of the assets in earnings.

Government grants related to income that compensate operating costs are recorded as deferred income, and deducted against the related costs when incurred.

The economic benefit of a loan received from a government-controlled financial institution at a below-market rate of interest is treated as a government grant related to income measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates. The difference is amortized using the effective interest method over the life of the loan.

GOODWILL

Goodwill is not amortized. The carrying value of goodwill is tested for impairment annually or more frequently if there is an indicator of impairment. Impairment is tested at the operating segment level. If the carrying value of the segment to which goodwill has been assigned exceeds its recoverable amount, then any excess of the carrying value of a segment's goodwill over its recoverable amount is expensed and is not subsequently reversed.

LEASES

The Company as a lessee

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

A right-of-use asset representing the right to use the underlying asset with a corresponding lease liability is recognized when the leased asset becomes available for use by the Company.

The right-of-use asset is recognized at cost and is depreciated on a straight-line basis over the shorter of the estimated useful life of the asset and the lease term on a straight-line basis. The cost of the right-of-use asset is based on the following:

- the amount of initial recognition of related lease liability;
- adjusted by any lease payments made on or before inception of the lease;
- increased by any initial direct costs incurred; and
- decreased by lease incentives received and any costs to dismantle the leased asset.

The lease term includes consideration of an option to extend or to terminate if the Company is reasonably certain to exercise that option. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

Lease liabilities are initially recognized at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. Subsequent to recognition, lease liabilities are measured at amortized cost using the effective interest rate method. Lease liabilities are remeasured when there is a change in future lease payments arising mainly from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, renewal or termination option.

The payments related to short-term leases and low-value leases are recognized in earnings over the lease term and are included in other expenses.

The Company as a lessor

A finance lease exists when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. Amounts due from lessees under finance leases are recorded as finance lease receivables. They are initially recognized at amounts equal to the present value of the minimum lease payments receivable. Payments that are part of the leasing arrangement are divided between a reduction in the finance lease receivable and finance lease income. Finance lease income is recognized so as to produce a constant rate of return on the Company's investment in the lease and is included in revenues.

PROVISIONS

The Company recognizes provisions when:

(i) there is a current legal or constructive obligation as a result of a past event;

(ii) a probable outflow of economic benefits will be required to settle the obligation; and

(iii) a reliable estimate of the obligation can be made.

Current legal or constructive obligations arising from onerous contracts are recognized as provisions when the unavoidable cost of meeting the obligation under the contract exceeds the economic benefits expected to be received.

If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. If discounting is used, the increase in the provision due to the passage of time is recognized in interest expense.

CONTINGENCIES

Contingent liabilities are potential obligations and contingent assets are potential assets, that arise from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events and whose existence is not wholly within the control of the Company.

Contingent liabilities, when identified, are assessed as either probable, possible or remote. Contingent liabilities are recognized in the consolidated financial statements when it is probable that future events will confirm them and when they can be reasonably estimated. Contingent liabilities assessed as possible are disclosed, together with a possible loss range, when determinable, in the notes to the consolidated financial statements. Contingent liabilities assessed as remote are neither recognized nor disclosed in the consolidated financial statements.

Contingent assets are not recognized in the consolidated financial statements.

Determining contingencies inherently involves the exercise of judgment and the calculation of the estimated outcomes of future events. Actual results could differ from the estimates.

ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations (AROs) are legal and constructive obligations connected with the retirement of tangible long-lived assets. These obligations are measured at management's best estimate of the expenditure required to settle the obligation and are discounted to present value when the effect is material. Cash flows for AROs are adjusted to take risks and uncertainties into account and are discounted using a pre-tax, risk-free discount rate.

Initially, an ARO is recorded in provisions, included in other liabilities, with a corresponding increase to property, plant and equipment. Subsequently, the carrying amount of the provision is accreted over the estimated time period until the obligation is to be settled; the accretion expense is recognized as interest expense. The asset is depreciated over its estimated useful life. Revaluations of the ARO at each reporting period take into account changes in estimated future cash flows and the discount rate.

FINANCIAL INSTRUMENTS

The Company classifies financial assets when they are first recognized as amortized cost or fair value through profit or loss. Classification is determined based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets.

Financial assets are measured at amortized cost if the financial asset is:

(i) held for the purpose of collecting contractual cash flows, and

(ii) the contractual cash flows of the financial asset solely represent payments of principal and interest.

All other financial assets are classified as fair value through profit or loss.

Financial liabilities are classified as amortized cost or fair value through profit or loss.

Amortized cost

Financial instruments classified as amortized cost are initially measured at fair value and subsequently measured at their amortized cost using the effective interest method.

Fair value through profit or loss

Financial instruments classified as fair value through profit or loss are initially measured at fair value with subsequent changes in fair value recognized in earnings.

Transaction costs

Transaction costs directly attributable to the purchase or issue of financial assets or financial liabilities that are not classified as fair value through profit or loss are added to the fair value of such assets or liabilities when initially recognized. Transaction costs for long-term debt are amortized over the life of the respective financial liability using the effective interest method. The Company's long-term debt and Class I and II shares are presented net of their respective transaction costs.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet:

(i) if there is a legally enforceable right to offset the recognized amounts, and

(ii) if the Company intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

Derecognition of financial instruments

Financial assets are derecognized:

(i) when the right to receive cash flows from the financial assets has expired or been transferred, and

(ii) the Company has transferred substantially all the risks and rewards of ownership.

Financial liabilities are derecognized when the obligation is discharged, cancelled, or expired.

Fair value hierarchy

The Company uses quoted market prices when available to estimate fair value. Models incorporating observable market data, along with transaction specific factors, are also used to estimate fair value. Financial assets and liabilities are classified in the fair value hierarchy according to the lowest level of input that is significant to the fair value measurement. Management's judgment as to the significance of a particular input may affect placement within the fair value hierarchy levels.

The hierarchy is as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company applies settlement date accounting to the purchases and sales of financial assets. Settlement date accounting means recognizing an asset on the day it is received by the Company and recognizing the disposal of an asset on the day it is delivered by the Company. Any gain or loss on disposal is also recognized on that day.

IMPAIRMENT OF FINANCIAL INSTRUMENTS

At each reporting date, the Company assesses whether there is evidence that a financial asset or group of financial assets is impaired. If such evidence exists, an impairment loss is recognized in earnings.

Impairment losses on financial assets carried at amortized cost are calculated as the difference between the amortized cost and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Impairment losses on financial assets carried at amortized cost may be reversed in whole or in part if there is evidence that a change in the estimated recoverable amount is warranted. The revised recoverable amount cannot exceed the carrying amount that would have been determined had no impairment charge been recognized in previous periods.

The Company applies the expected credit loss allowance matrix based on historical credit loss experience, aging of financial assets, default probabilities, forward-looking information specific to the counterparty, and industry-specific economic outlooks.

For accounts receivable and contract assets and finance lease receivables, the Company estimates credit loss allowances at initial recognition and throughout the life of the receivable. For receivable under service concession arrangement, the Company estimates credit loss allowances from possible default events within the twelve months after the balance sheet date.

DERIVATIVE FINANCIAL INSTRUMENTS

Contracts settled net in cash or in another financial asset are classified as derivatives, unless they meet the Company's own use requirements.

All derivative financial instruments are measured at fair value. The gain or loss that results from changes in fair value of the derivative is recognized in earnings immediately, unless the derivative is designated and effective as a hedging instrument, in which case the timing of recognition in earnings depends on the hedging relationship.

Where the Company elects to apply hedge accounting, the Company documents the relationship between the derivative and the hedged item at inception of the hedge, based on the Company's risk management policies. A qualitative assessment of the effectiveness of the hedging relationship is performed at each reporting period if both the critical terms of the hedging relationship and the economic relationship between the hedged item and hedging instrument continue to remain the same or similar. If the mismatch in terms is significant, a quantitative assessment may be required. Ineffectiveness, if any, is measured at the end of each reporting period.

If the risk management hedge ratio used to form the economic relationship of the hedged item and hedging instrument changes, rebalancing of the hedging relationship is required. Under this circumstance, an adjustment to the quantities of the hedged item or hedging instrument would be allowed to realign the hedging relationship in accordance with the appropriate risk management hedge ratio. The Company can only discontinue hedge accounting prospectively if there is no longer an economic relationship between the hedged item and hedging instrument, the risk management objective changes, the derivative no longer is designated as a hedging instrument, or the underlying hedged item is derecognized.

Cash flow hedges

The Company enters into interest rate swaps, foreign currency forward contracts and natural gas and forward power purchase and sale contracts to offset the risk of volatility in the variable cash flows arising from a recognized asset or liability, a highly probable forecast transaction or a firm commitment in a foreign currency transaction. The effective portion of changes in fair value of the derivative is recognized in OCI, whereas the ineffective portion is recognized in earnings immediately. Sources of hedge ineffectiveness can occur as a result of credit risk, change in hedge ratio, changes in the timing of payment, and forecast adjustments leading to over-hedging. The cumulative gain or loss in AOCI is transferred to earnings when the hedged item affects earnings. If a forecast transaction results in the recognition of a non-financial asset or liability, the amount in AOCI is added to the initial cost of the non-financial asset or liability.

If the Company discontinues hedge accounting, the cumulative gain or loss in AOCI is transferred to earnings at the same time as the hedged item affects earnings.

The amount in AOCI is immediately transferred to earnings if the hedged item is derecognized or it is probable that a forecast transaction will not occur in the originally specified time frame.

RETIREMENT BENEFITS

The Company accrues for its obligations under defined benefit pension and OPEB plans.

Pension plan assets at the balance sheet date are reported at fair value. Accrued benefit obligations at the balance sheet date are determined using a discount rate that reflects market interest rates. The rates are equivalent to those on high quality corporate bonds that match the timing and amount of expected benefit payments.

The cost for defined benefit plans includes net interest expense. This expense is calculated by applying the discount rate to the net defined benefit asset or liability at the beginning of the year plus projected contributions and benefit payments during the year.

Gains and losses resulting from experience adjustments and changes in assumptions used to measure the accrued benefit obligations are recognized in OCI in the period in which they occur. Those gains and losses are then transferred directly to retained earnings.

Employer contributions to the defined contribution pension plans are expensed as employees render service.

For defined benefit pension plans and OPEB plans, service cost is recognized as an expense in salaries, wages and benefits, and net interest expense is recognized in interest expense. The cost of defined contribution pension plans is recognized as an expense in salaries, wages and benefits. Past service costs are recognized immediately in earnings in the period of a plan amendment or curtailment. The change in the present value of the defined benefit pension plans resulting from a curtailment is accounted for as a past service cost. When retirement benefit costs for employee services are incurred in constructing an asset and meet asset recognition criteria, they are included in the related property, plant and equipment or intangible asset.

SHARE-BASED COMPENSATION PLANS

The Company expenses stock options granted by ATCO Ltd. and its subsidiary, Canadian Utilities Limited. The Company determines the fair value of the options on the date of grant. The fair value is recognized over the vesting period of the options granted by applying graded vesting, adjusted for estimated forfeitures. The fair value of the ATCO Ltd. options is recorded in salaries, wages and benefits expense and contributed surplus. Contributed surplus is reduced as the ATCO Ltd. options are exercised, and the amount initially recorded in contributed surplus is credited to Class I and Class II Share capital. The fair value of the Canadian Utilities Limited options is recorded in salaries, wages and benefits expense and non-controlling interests.

SARs and RSUs are cash-settled and are measured at fair value. The fair value is recognized over the vesting period of the SARs and RSUs granted by applying graded vesting, adjusted for estimated forfeitures. The fair value of SARs and RSUs is recorded in salaries, wages and benefits expense and accounts payable and accrued liabilities and other non-current liabilities. The liabilities are re-measured at each reporting period.

The MTIP awards are equity-settled with shares purchased on the secondary market. They are measured at fair value based on the purchase price of the Company's Class I Shares at the date of grant. The awards are held by a trust until the shares are vested, at which time they are transferred to the employee. The fair value of the MTIP awards is recognized in salaries, wages and benefits expense over the vesting period, with a corresponding charge to contributed surplus.

RELATED PARTY TRANSACTIONS

Transactions with related parties in the normal course of business are measured at the exchange amount. Transfers of assets or business combinations between entities under common control are measured at the carrying amount.

FOREIGN CURRENCY TRANSLATION

Foreign currency transactions

Transactions denominated in foreign currencies are translated at the exchange rate on the date of the transaction. Monetary assets and liabilities and non-monetary assets and liabilities measured at fair value denominated in a foreign currency are adjusted to reflect the exchange rate at the balance sheet date. Gains or losses on translation of these monetary and non-monetary items are recognized in earnings. Non-monetary items not measured at fair value are not retranslated after they are first recognized.

Foreign operations

The assets and liabilities of subsidiaries whose functional currencies are other than Canadian dollars are translated into Canadian dollars at the exchange rate at the balance sheet date. Revenues and expenses are translated at the average monthly exchange rates during the period, which approximates the foreign exchange rates on the dates of the transactions. Gains or losses on translation are included in OCI.

If the Company disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the accumulated foreign currency translation gains or losses related to the foreign operation are recognized in earnings.

The exchange rates for the major currencies used in the preparation of the consolidated financial statements were as follows:

	Exchange Rates as at December 31		Average Exchange Rates for Year Ended December 31	
	2023	**2022**	**2023**	**2022**
U.S. dollar	**1.3223**	1.3546	**1.3497**	1.3013
Australian dollar	**0.9025**	0.9212	**0.8967**	0.9034

ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

At December 31, 2023, certain new or amended standards that need to be adopted in future periods have not been early adopted. These standards are not expected to have a material impact to the Company.