ATCO LTD.

ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2021

ATCO

ANNUAL REPORT 2021

MESSAGE FROM THE CHAIR & CEO

HONOURING THE PAST. BUILDING THE FUTURE.

Dear ATCO Share Owners,

In 1947, when my grandfather and father started Alberta Trailer Hire, providing remote accommodations to Alberta's early oilfield pioneers, S.D. and R.D. Southern knew they were onto a good thing. What they could not have foreseen at the time is how our small family business would one day become so much more—how 15 utility trailers, put out on rent at service stations across Calgary, would be the genesis of a global enterprise, and a testament to commerce as an instrument for good.

This year, as ATCO commemorates 75 years of operations, I find myself reflecting upon their vision, and upon the thousands of people of ATCO who have stewarded the ATCO Heart & Mind over the years.

People often focus now on the products our founders first offered, and for good reason. Today, ATCO's ubiquitous yellow-striped trailers can be found around the world. But I choose to reflect on the entrepreneurship, determination, and shared belief that "a dream is never just a dream—it's the wish to change the world around you."

It was this philosophy that my father R.D. Southern instilled in the subsequent generations of our family and the people of ATCO around the world. The idea that there was always a next page, next chapter and next volume—where what we did now would make a difference in the future—created a sense of agency and resolve that ATCO could meet the maxim of "doing well by doing good."

And so, from the wheels and steel of those first Alberta trailers 75 years ago, ATCO has continued to grow, not only around the world and into different essential industries, but in anticipating and defining what the future might look like.

Today, our family of nearly 6,400 people collaborate on a global scale to bring an expansive vision—and offering—to life: delivering inspired solutions for a better world. Always there. Anywhere.

Over the course of 2021, ATCO delivered against our strategy to target investments and provide sustainable solutions in six essential service sectors that are fundamental to global prosperity: energy, shelter, real estate, water, agriculture, and logistics and transportation. In this report—and in our 2022 ATCO Business Profile—you'll learn about our progress, made possible by the collaboration and engagement among our customers, communities, Indigenous partners and the terrific people of ATCO.

We have been able to seize on prospects while increasing dividends (29 years in a row) because of our enviable balance sheet, the result of high-quality earnings, relentless cost-management and prudent capital allocation. Our superbly diversified portfolio of businesses has provided shelter from volatility and afforded growth from new projects.

I'd like to touch briefly on a few of our recent achievements. Notably, our businesses collectively delivered year-over-year earnings growth, despite lingering market pressure related to the COVID-19 pandemic.

ATCO Structures continued to successfully diversify and achieved marked success in the replacement of business and associated earnings from major projects, such as the Cedar Valley Lodge LNG Canada project, which was completed in 2021. With entrepreneurial panache that would make our founders proud, the Structures team grew the rental fleet, drove higher fleet utilization and rental rates, and won new projects across the globe.

In 2021, ATCO Frontec bid on a number of highly competitive opportunities, including the North Warning System Contract with the Government of Canada. Nasittuq, our partnership with Pan Arctic Inuit Logistics Corporation, was successful, repatriating the contract Nasittuq held from 1987-2014 and demonstrating our expertise in the national defence market and the importance of Indigenous partnerships.

We launched Rümi, the newest member of the ATCO group of companies. Rümi provides solutions for homeowners by connecting them with reliable repair and maintenance services professionals. Rümi joins trusted ATCO consumer brands such as Blue Flame Kitchen, a longstanding culinary institution in Alberta, and energy retailer ATCOenergy.

LUMA Energy, our joint venture in Puerto Rico, is yet another striking example of how we are applying our utility expertise to benefit our communities while also accelerating the energy transition. The process of transforming Puerto Rico's transmission and distribution system into a reliable and modern system is no small undertaking. There have certainly been some bumps along the road, but we remain fiercely committed to delivering on our promises for the good of the customers we've been entrusted to serve.

In addition to LUMA Energy commencing operations in Puerto Rico, Neltume Ports continued to expand its North American footprint. We celebrated the official opening of our first U.S. terminal in Mobile, Alabama in June, and we acquired a 70% interest in Tidal Transport & Trading USA, which provides full-scale marine operations services in California, Oregon and Washington.

Canadian Utilities continues to play a key role in energy transformation. In May, we announced our collaboration with Suncor Energy on the design of a potential clean hydrogen project near Fort Saskatchewan, Alberta that would produce more than 300,000 tonnes per year of hydrogen and reduce Alberta's CO_2 emissions by more than two million tonnes per year. We also announced three new Alberta solar projects, the receipt of government funding to establish Australia's first commercial scale renewable hydrogen supply chain, our acquisition of the Alberta Hub natural gas storage facility, and the development of a renewable natural gas facility in Alberta.

These are concrete examples of the significant steps our company is taking on our journey to a cleaner, more sustainable future.

At the start of 2022, we announced a comprehensive set of 2030 environmental, social and governance targets and a commitment to net-zero emissions by 2050. The 2030 targets include reducing our operational and customer emissions, growing our renewable energy footprint, increasing economic benefits for Indigenous partners, continuing our focus on safety, and further promoting diversity, equity, and inclusion in the workplace.

From the genesis of our business, the people of ATCO have pioneered innovative solutions at the forefront of global trends, generating value for our share owners and creating the conditions for our communities and customers to thrive. Our ambitious ESG targets reflect the same holistic perspective that has underpinned our growth for decades—one that considers not just near-term economic pressures but also creates truly intergenerational, sustainable prosperity.

Transforming our energy systems to achieve net-zero by 2050 is a societal challenge that no individual, business, or government can solve on its own. It will require unprecedented collaboration among all constituents, as well as an informed, pragmatic, and affordable roadmap from policymakers to unlock the necessary scale and pace of private sector investment and expertise.

Looking to the future, we will continue to build a resilient business that is diverse in its operations but integrated in its focus—a series of investments united by a common strategy of delivering the essentials of life. We invest strategically in meeting people's needs, and we bring industry-leading expertise with a focus on innovative and long-term results, not short-term trends.

I thank each and every member of team ATCO for the passion and expertise they display in advancing our business and vision, especially in such trying times. I am particularly proud of the coalition of employee-led committees that plan, implement and administer the workplace fundraising campaigns we call ATCO EPIC. In 2021, our people raised $2.97 million for hundreds of charities—bringing the total program contributions since 2006 to $50 million, alongside 250,000 volunteer hours over that same time period.

I would like to pay special tribute to two leaders whose contributions and character will be forever remembered at ATCO and Canadian Utilities.

Siegfried Kiefer retired as President & Chief Executive Officer of Canadian Utilities last July. Siegfried's accomplishments during his 38 years with ATCO and Canadian Utilities are impressive and his sincerity, quiet optimism, mentorship and strength of character were obvious to all of us who worked with him.

Dennis DeChamplain, who held the role of Executive Vice President & Chief Financial Officer of both ATCO and Canadian Utilities Limited, passed away suddenly last August. Over the course of his almost 30 years with us, Dennis was known for his principled leadership, keen insight and unmatched attention to detail. His expertise and resourcefulness in finance, accounting, sustainability and environment have left an indelible mark on our organization and helped position us for success in a rapidly evolving world.

I would like to thank the members of our Executive Team—including Katie Patrick, who was appointed as Executive Vice President and Chief Financial & Investment Officer of ATCO last October. I also express my gratitude to our Board of Directors for their guidance and expertise over the course of 2021.

And I thank you for your continued interest in ATCO and the confidence you have placed in us.

This year, we look back to 1947 with fondness, and we reflect on all that's happened since then with gratitude. I'm excited and optimistic about the future of ATCO and how we will continue to support and enable a better world for all.

Sincerely yours,

N. C. South

Nancy C. Southern
Chair & Chief Executive Officer, ATCO Ltd.

ATCO LTD.

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2021

This Management's Discussion and Analysis (MD&A) is meant to help readers understand key operational and financial events that influenced the results of ATCO Ltd. (ATCO, our, we, us, or the Company) during the year ended December 31, 2021.

This MD&A was prepared as of February 23, 2022, and should be read with the Company's audited consolidated financial statements (2021 Consolidated Financial Statements) for the year ended December 31, 2021. Additional information, including the Company's Annual Information Form (2021 AIF) is available on SEDAR at www.sedar.com.

The Company is controlled by Sentgraf Enterprises Ltd. and its controlling share owner, the Southern family. The Company includes controlling positions in Canadian Utilities Limited (Canadian Utilities or CU) (53.0 per cent ownership), ATCO Structures & Logistics Ltd. (100 per cent ownership), ATCO Land and Development Ltd. (100 per cent ownership), and Ashcor Technologies Ltd. (100 per cent ownership). The Company also has a non-controlling equity investment in Neltume Ports S.A. (Neltume Ports) (40 per cent ownership). Throughout this MD&A, the Company's earnings attributable to Class I and Class II Shares and adjusted earnings are presented after non-controlling interests.

Terms used throughout this MD&A are defined in the Glossary at the end of this document.

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ATCO CORE VISION AND VALUES

EXCELLENCE: THE HEART & MIND OF ATCO

"Going far beyond the call of duty. Doing more than others expect. This is what excellence is all about. It comes from striving, maintaining the highest standards, looking after the smallest detail and going the extra mile. Excellence means caring. It means making a special effort to do more."

R.D. Southern, Founder, ATCO

CORE VISION

Delivering inspired solutions for a better world. Always there. Anywhere.

CORE VALUES

It is ATCO's Heart and Mind that drives the Company's approach to service reliability and product quality. Our pursuit of excellence governs the way we act and make decisions.

ATCO STRATEGIES

Developing Integrated Solutions Our Customers Can Rely On

ATCO's investments put us at the forefront of global trends. We focus on delivering the enduring essentials required for a healthy global economy: shelter, logistics and transportation, agriculture, water, real estate, and energy and energy infrastructure.

Innovation, growth and financial strength provide the foundation from which we have built our Company. Our long-term success depends on our ability to continue offering our customers premier, comprehensive and integrated solutions to meet their needs and expand into new markets.

These strategic imperatives are supported by our unwavering commitment to operational excellence, our customers, our people and the communities we are privileged to serve around the world.

CORPORATE PILLARS

Innovation

We seek to create an inclusive work environment where employees are encouraged to take a creative and innovative approach to meeting our customers' needs. By committing to applied research and development, we are able to offer our customers unique and imaginative solutions that differentiate us from our competitors.

Growth

Our long-term strategy is focused on sustainable growth. We approach this strategy by: expanding geographically to meet the global needs of our customers; developing value-creating greenfield projects; fostering continuous improvement; and delivering reliable, safe, cleaner, and affordable energy for our customers.

We pursue the acquisition and development of complementary assets and businesses that have future growth potential and provide long-term value for share owners.

Financial Strength

Financial strength is the bedrock of our current and future success. It ensures that we have the financial capacity to fund existing and future capital investments through a combination of predictable cash flows from operations, cash balances on hand, credit facilities and access to capital markets. It enables us to sustain our operations and to grow through economic cycles, thereby providing long-term financial benefits.

We continuously review our holdings to evaluate opportunities to sell mature assets and recycle the proceeds into growing areas of the Company. The viability of such opportunities depends on the outlook of each business as well as general market conditions. This ongoing focus supports the optimal allocation of capital across the Company.

Operational Excellence

We achieve operational excellence through high service, reliability, and product quality for our customers and the communities we serve. We are uncompromising about maintaining a safe work environment for employees and contractors, promoting public safety and striving to minimize our environmental impact. We ensure the timely supply of goods and services that are critical to our customers' ability to meet their core business objectives.

Community Involvement

We are committed to a respectful and collaborative community approach, where meaningful partnerships and positive relationships are built with community leaders and groups that will enhance economic and social development. Community involvement creates the opportunity to develop partnerships with Indigenous and community groups and build ongoing, positive Indigenous relationships that contribute to economic and social development in their communities. We also engage with governing authorities, regulatory bodies, and landowners. We encourage partnerships throughout the organization. We encourage our employees to participate in community initiatives that will serve to benefit non-profit organizations through volunteer efforts, and the provision of products and services in-kind.

SUSTAINABILITY PILLARS

ATCO conducts business in a manner that reflects our values. Integrity, agility, collaboration and caring—these foundational principles help us deliver on our commitment to sustainability. We report on five focus areas: Energy Transition, Climate Change & Environmental Stewardship, Operational Reliability & Resilience, People and Community & Indigenous Relations.

Strategic Environmental, Social and Governance (ESG) Targets For 2030

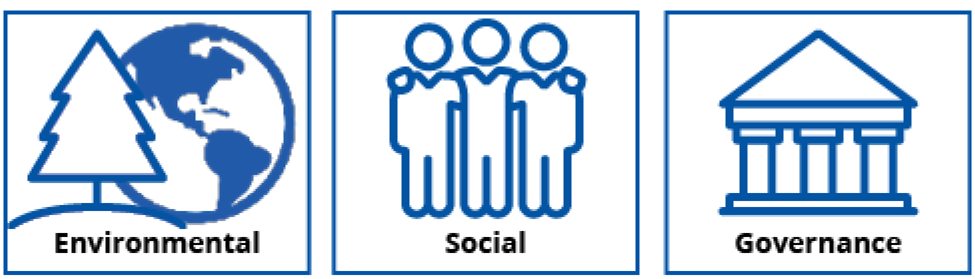
In January 2022, ATCO announced an initial set of 2030 environmental, social and governance targets, and a commitment to achieve net-zero greenhouse gas (GHG) emissions by 2050.

ATCO's 2030 ESG targets include reducing its operational and customer emissions, growing its renewable energy footprint, increasing economic benefits for Indigenous partners, continuing its focus on safety, and further promoting diversity, equity, and inclusion in the workplace.

The 2050 net-zero commitment builds upon the Company's significant progress in recent years in decarbonizing its portfolio, including a 90 per cent reduction in operational GHG emissions from 2019 to 2020 realized primarily through the sale of Canadian Utilities' fossil fuel-based electricity generation portfolio as well as reductions in its retained assets.

Our Company is actively pursuing several pathways to further reduce its operational emissions, as well as its customers' emissions, by accelerating the deployment and use of cleaner fuels (hydrogen and renewable natural gas), renewable energy, energy infrastructure and storage (including carbon capture technologies), energy efficiency and carbon offsets. In support of its net-zero commitment, ATCO is also working with all levels of government to advocate for enabling policy and regulation, and to identify barriers that impede cost-effective, economy-wide decarbonization. It will require unprecedented collaboration among all constituents, as well as an informed, pragmatic, and affordable roadmap from policymakers to unlock the necessary scale and pace of private sector investment and expertise.

ATCO continues to evaluate further ESG targets and conduct additional analysis with respect to the Company's 2050 net-zero commitment. Additional information and progress towards ATCO's ESG targets will be included in the Company's annual Sustainability Report, which will be available in May 2022.

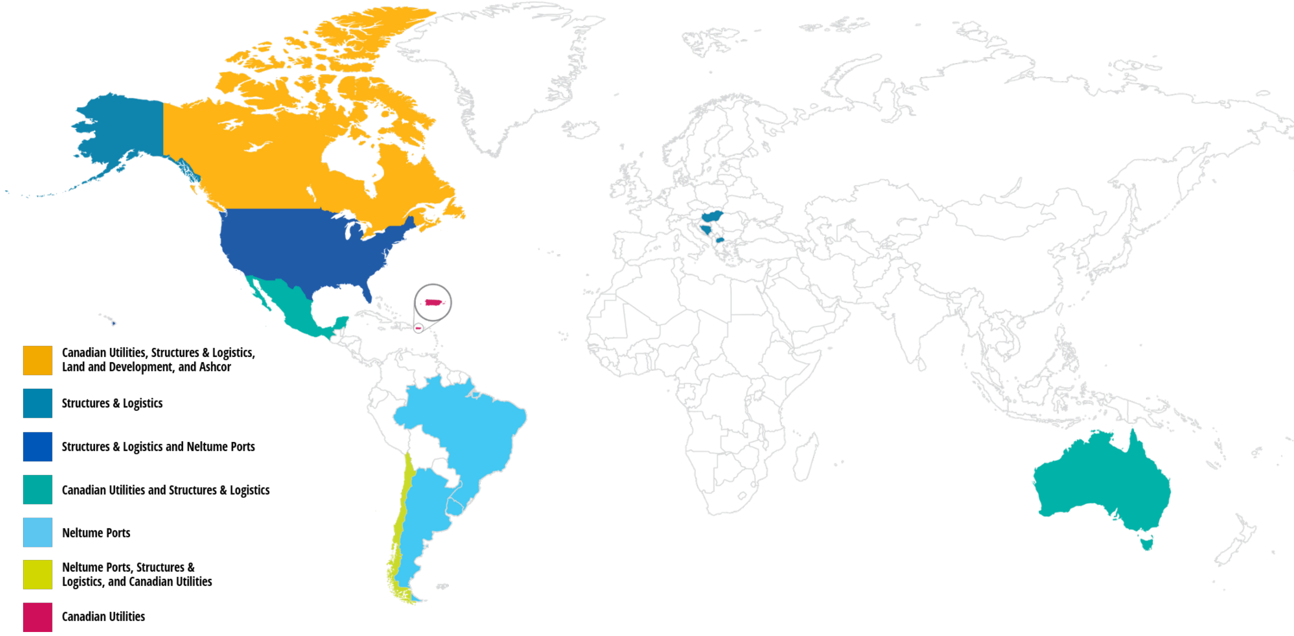


FURTHER COMMENTARY REGARDING STRATEGIES AND COMMITMENTS

Our financial and operational achievements in 2021 relative to the strategies outlined above are included in this MD&A, the 2021 Consolidated Financial Statements and 2021 AIF. Further commentary regarding strategies and commitments to innovation, growth, financial strength, operational excellence, and community involvement will be provided in the forthcoming 2021 Management Proxy Circular, Year in Review, and Sustainability Report. The 2021 Management Proxy Circular will also contain a discussion of the Company's corporate governance practices.

ATCO’s website, www.atco.com, is a valuable source for the latest news of the Company’s activities. Prior years’ reports are also available on this website.

COMPANY OVERVIEW AND OPERATING ENVIRONMENT

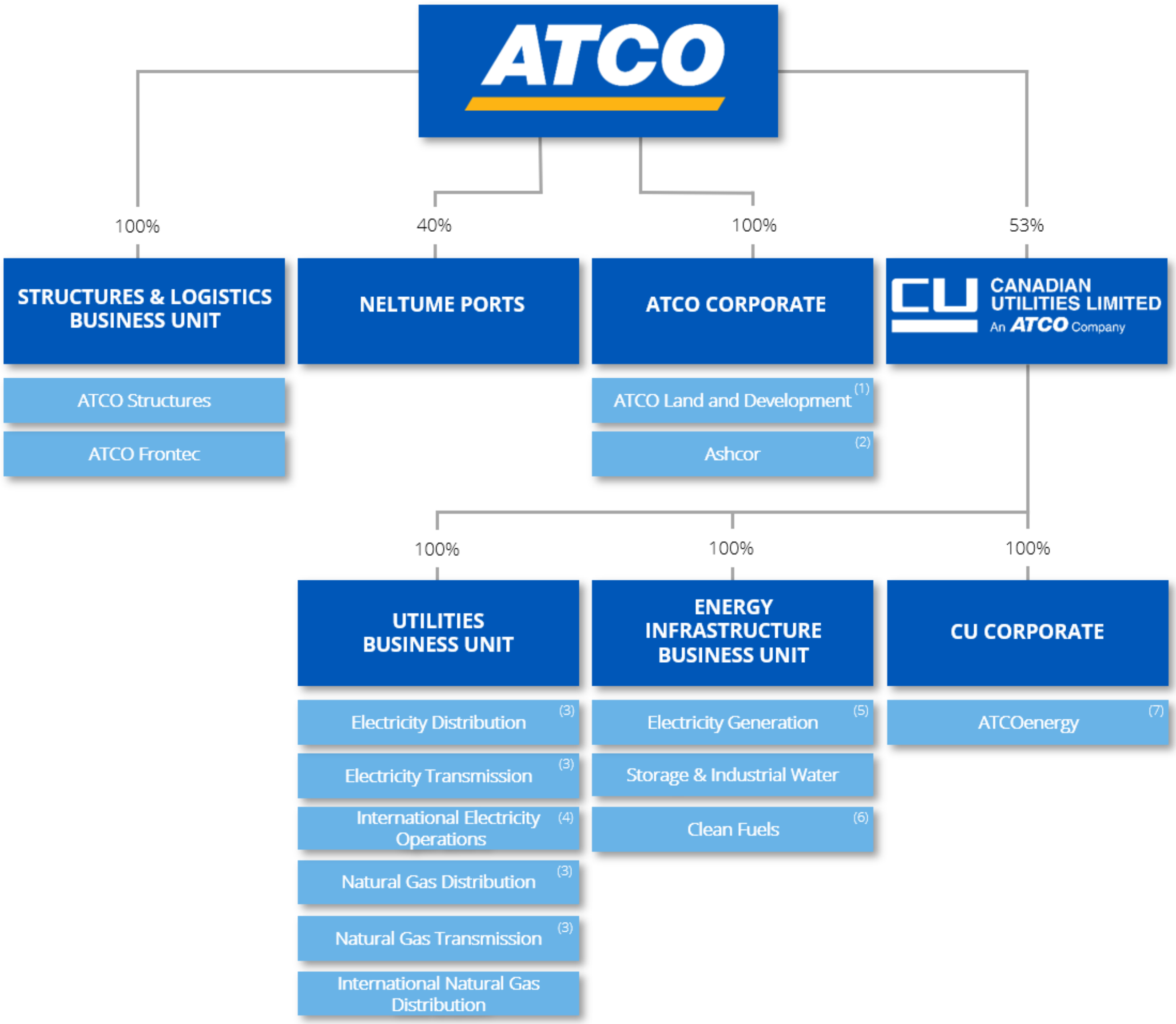


With approximately 6,400 employees and assets of $23 billion, ATCO is privileged to serve more than two million customers around the world, providing innovative, sustainable solutions in the sectors that are essential to global growth and prosperity. From the delivery of efficient and reliable energy for homes, businesses and communities, to affordable temporary and permanent buildings, and transportation of products and services, we build communities, energize industries and deliver customer-focused infrastructure solutions.

At the heart of ATCO's strategy is the desire to be a unified provider of essential services for our customers, allowing them to avoid the challenges of utilizing a fragmented network of providers. Our unique market position, integrated capabilities, and exceptional customer care combine to create a competitive advantage that is difficult to replicate, and one that continues to deliver value to share owners through earnings and dividend growth.

Our growth strategy to diversify our mix of portfolio investments into new markets and business lines and prudently deploy capital underpins our ability to generate long-term growth and financial prosperity. Our steadfast commitment to our five strategic priorities of innovation, growth, financial strength, operational excellence, and community involvement has allowed ATCO to endure periods of macroeconomic instability while continuing to grow.

ORGANIZATIONAL STRUCTURE



(1) *ATCO Land and Development Ltd. includes commercial real estate investments held for sale, lease or development.*

(2) *ASHCOR Technologies Ltd. (Ashcor) is engaged in the processing and marketing of live ash and ash reclaimed from landfills.*

(3) *Canadian Utilities' 100 per cent owned subsidiary CU Inc. includes Electricity Distribution, Electricity Transmission, Natural Gas Distribution and Natural Gas Transmission.*

(4) *International Electricity Operations consists of Canadian Utilities' 50 per cent ownership in LUMA Energy, LLC (LUMA Energy), a company formed to transform, modernize and operate Puerto Rico's 30,000-km electricity transmission and distribution system.*

(5) *Canadian Utilities owns and operates 348-MW of non-regulated electricity generation assets in Australia, Mexico, Canada and Chile, and 103-MW of assets under development in Canada.*

(6) *Clean Fuels includes large-scale hydrogen production opportunities, renewable natural gas opportunities, and technical expertise support.*

(7) *ATCOenergy includes Rümi, Blue Flame Kitchen, and Retail Energy and provides home products, home maintenance services, professional advice, and retail electricity and natural gas services in Alberta.*

The 2021 Consolidated Financial Statements include the accounts of ATCO Ltd., including a proportionate share of joint venture (JV) investments and its equity-accounted investment in associate company (40 per cent of Neltume Ports). Principal subsidiaries are Canadian Utilities, of which ATCO Ltd. owns 53.0 per cent (38.8 per cent of the Class A non-voting shares and 91.6 per cent of the Class B common shares), and ATCO Structures & Logistics Ltd., of which ATCO Ltd. owns 100 per cent of the common shares. ATCO Ltd. also owns 100 per cent of the common shares of ATCO Land and Development Ltd. and ASHCOR Technologies Ltd.

The 2021 Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the reporting currency is the Canadian dollar.

STRUCTURES & LOGISTICS

BUSINESS DESCRIPTION

ATCO Structures & Logistics business unit's activities are conducted through two complementary businesses: ATCO Structures and ATCO Frontec. Diversified by geography, product and service offerings, these businesses meet the needs of customers and communities globally. Together these businesses offer 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.

ATCO Structures

BUSINESS STRATEGY

Our strategy generates sustainable earnings growth by creating a culture of continuous improvement and providing our customers with exceptional customer service. Our growth strategy in each geography is delivered through the expansion of our space rentals business line, which provides the infrastructure and skilled personnel to leverage our strategic offering of workforce housing and permanent modular construction capabilities, and manufacturing solutions. We aim to continue to grow our business strategically across the globe to meet the needs of our customers anywhere.

MARKET OPPORTUNITIES

We are expanding fleet in our existing space rental geographies and targeting new geographies while streamlining our manufacturing platform to scale quickly and profitably when needed to capture workforce housing contracts. We continue to pursue customer diversification opportunities outside of the natural resource sector. Public infrastructure spending will continue to be a source of opportunity for ATCO Structures. Non-traditional modular markets such as public education facilities, high density urban residential housing, and healthcare facilities continue to offer development opportunities. Our operations in parts of the US and Latin America have provided strategic value and opportunities for the business. We will continue to evaluate organic and acquisition growth opportunities.

ATCO Structures Kynetone Kindergarten, Australia

MARKET CHALLENGES

The modular construction industry is significantly influenced by capital spending cycles in the natural resource and construction sectors. There is also a high level of competition in the markets in which we operate both from traditional competitors and new product developers looking to enter the market or diversify their business. We are facing additional challenges with the increased impact of COVID-19 variants that are causing considerable disruption and uncertainty in operations globally. Many active projects are presented with varying levels of disruption, which is generating labor shortages of critical trades, and global supply chain disruptions affecting project productivity and delivery.

ATCO Frontec

BUSINESS STRATEGY

Our strategy is to enhance our competitive position through diversification of our existing workforce lodging and facility operations and maintenance service client base, expansion into new geographies including the servicing of remote communities, and continuous refinement of our business practices.

MARKET OPPORTUNITIES

We see opportunity to expand our operations and maintenance services and workforce housing businesses in Canada and the US through our own business relationships and partnering with ATCO Structures. Opportunities for growth in our disaster and emergency management and defence operations services business will be pursued as we continue to build from our existing base of contracts.

MARKET CHALLENGES

Continued uncertainty in the natural resource sector in Canada may limit the demand for workforce housing and associated camp services. We are pursuing contracts with customers whose projects remain subject to comprehensive approval processes. Changes in government policy and social license have resulted in a decrease of large-scale projects in Canada that historically provided potential contracts for ATCO Frontec. There is a high level of competition in the defence sector of the US that could present difficulty surrounding market entry.

Resolute Bay, Nunavut

NELTUME PORTS

BUSINESS DESCRIPTION

ATCO has a 40 per cent interest in Neltume Ports. Neltume Ports is a port operator and developer with a diversified portfolio of multipurpose, bulk cargo and container terminals located primarily in Chile with additional operations in Uruguay, Argentina, Brazil, and the US. Neltume Ports employs approximately 7,100 people and operates 17 port facilities and 6 port operation services businesses. In 2021, Neltume Ports handled 46 million tonnes of product, including copper, forestry products, consumer goods and agricultural products.

BUSINESS STRATEGY

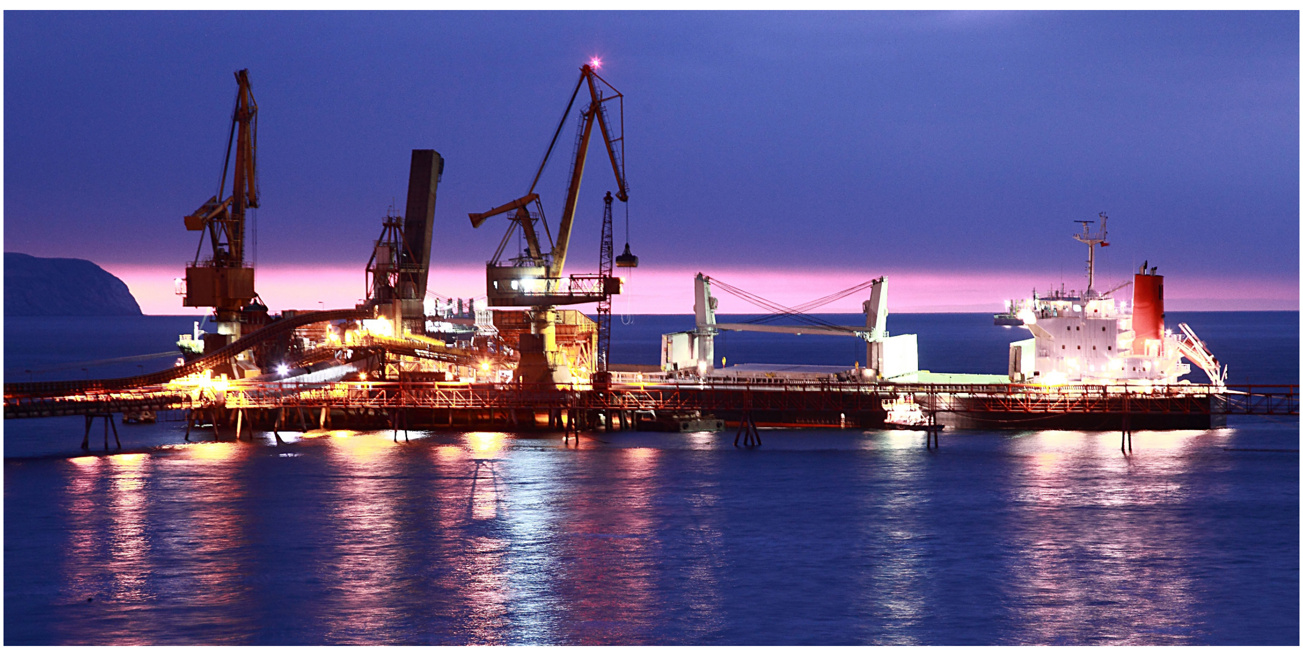
Neltume Ports' strategy is focused on continuous improvement initiatives to refine operational practices throughout all facets of its business. Sustained growth will continue to be achieved by improving margins, increasing volumes and ownership at existing ports, and investing in brownfield, greenfield and acquisition opportunities throughout the Americas. Most of Neltume's existing ports are underpinned by long-term contracts or concessions and are strategically located near major resource or agriculture hubs, as well as high density areas of economic importance. The business environment is also supported by key partnerships with shipping lines and cargo owners.

MARKET OPPORTUNITIES

Through Neltume Ports' exposure to global trade and transportation, the business is able to capitalize on increasing demand for resources; particularly copper, agriculture and forestry products, as well as on other macroeconomic factors. Neltume Ports continuously reviews opportunities to increase its ownership position in ports that are jointly owned. Brownfield expansion opportunities at ports also exist. Greenfield and acquisition expansion potential will continue to be evaluated.

MARKET CHALLENGES

The Latin American economy may experience a slow recovery from the COVID-19 pandemic. The ports industry by nature is sensitive to changes in international trade, supply chain constraints, labour shortages, commodity prices and foreign exchange; therefore prolonged economic recovery could impact Neltume Ports. There is exposure to certain countries with a higher possibility of political unrest.



Neltume, Puerto Mejillones

CANADIAN UTILITIES

Canadian Utilities is a diversified global energy infrastructure corporation delivering service excellence and innovative business solutions in Utilities (Electricity and Natural Gas Transmission and Distribution, and International Operations); Energy Infrastructure (Energy Storage, Energy Generation, Industrial Water Solutions, and Clean Fuels); and Retail Energy (Electricity and Natural Gas Retail Sales, and Whole-Home Solutions).

Utilities

BUSINESS DESCRIPTION

The Utilities business unit operates in Canada, Australia and Puerto Rico. The four regulated utilities (Electricity Transmission and Distribution, and Natural Gas Transmission and Distribution) in Alberta, Saskatchewan and the northern regions of Canada have delivered reliable electricity and clean-burning natural gas to customers for many decades. International Operations consists of the regulated natural gas distribution business in Western Australia, and the Electricity Operations business in Puerto Rico, which includes Canadian Utilities' 50 per cent ownership in LUMA Energy.

BUSINESS STRATEGY

Our strategy is to invest in regulated electricity and natural gas transmission and distribution assets, capitalize on opportunities to provide long-term contracted electricity and natural gas transmission and distribution services, and consistently deliver safe, reliable, affordable and clean energy for our customers.

MARKET OPPORTUNITIES

The utilities industry is changing with an increased focus on decarbonization, digitalization, decentralization, and evolving customer demand. Continuing climate change concerns, evolving regulations to encourage the advancement of new technologies, emission reduction targets, and government incentives present opportunities for utility companies. Our natural gas and electric utilities are well positioned to capitalize on these trends. Our strategic priorities remain focused on investments that provide lower emissions and clean energy solutions for our customers, and continuing to invest in our core business while maintaining safety, reliability and affordability.

MARKET CHALLENGES

Traditional utility industry challenges include the regulator's approval of customer rates that permit a reasonable opportunity to recover service costs on a timely basis, including a fair return on invested capital. The increasing move towards decarbonization, arrival of new smart-grid technologies, renewable energy generation, decentralized generation, energy storage and digital transformation has forced the traditional utility sector to reinvent itself and adapt to remain competitive. These new challenges present new policy and technology risks that could lead to disruption of the Company's existing business models and create new competitive market dynamics.

Electricity Transmission Lines

Energy Infrastructure

BUSINESS DESCRIPTION

The Energy Infrastructure non-regulated businesses include: hydro, solar and natural gas electricity generation in Western Canada, Australia, Mexico, and Chile, as well as non-regulated electricity transmission, natural gas storage and transmission, Natural Gas Liquids (NGL) storage, industrial water solutions, and renewable natural gas (RNG) production in Alberta. Energy Infrastructure is also developing its clean fuels business including hydrogen, RNG, carbon capture and underground storage projects.

BUSINESS STRATEGY

Energy transition is a key component of our growth strategy, focused on the three pillars of renewable generation, clean fuels, and energy storage. We are actively seeking out opportunities that capitalize on the key trends shaping global energy markets, from smaller and rapidly executable projects such as solar and renewable natural gas, to larger and longer lead-time initiatives, including commercial scale hydrogen production, transportation and storage. Additionally, we continue to optimize and drive growth in our energy storage business. Storage is critical to energy stability and to support the reliability of the grid as the world transitions to clean, but more intermittent sources of energy. It is a critical supporting factor to energy transition and to the diversification of industry within Alberta.

MARKET OPPORTUNITIES

In developed markets, the political and societal push to address climate change with decarbonization goals and the energy transition are driving the demand for clean energy, mainly supplied through renewables and clean fuels. Energy markets will be focused on providing firm, reliable and affordable energy supply as the share of renewables grows; this is likely to drive further investment into storage and grid balancing solutions to improve system reliability.

MARKET CHALLENGES

There is significant competition as financial, strategic and traditional fossil fuel-based energy producers become increasingly interested in renewables and clean fuels as part of the global energy transition. Government policy and regulatory constraints present challenges to renewables and clean fuel projects aligned with energy transition strategies. Macroeconomic conditions such as global economic activity, inflation, and political uncertainty pose challenges for investment.

El Resplandor Solar Project, Cabrero, Chile

PERFORMANCE OVERVIEW

FINANCIAL METRICS

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

($ millions, except per share data and outstanding shares)	Year Ended December 31 2021	2020	2019
Key Financial Metrics			
Revenues	**4,289**	3,944	4,706
Adjusted earnings [1]	**382**	352	365
Structures & Logistics	**53**	57	37
Neltume Ports	**13**	15	15
ATCO Corporate & Other	**6**	—	(6)
Canadian Utilities Limited			
Utilities [1]	**336**	305	301
Energy Infrastructure	**15**	15	57
Canadian Utilities Corporate & Other	**(41)**	(40)	(39)
Adjusted earnings ($ per share)	**3.35**	3.08	3.19
Earnings attributable to Class I and Class II Shares	**246**	252	513
Earnings attributable to Class I and Class II Shares ($ per share)	**2.16**	2.21	4.49
Diluted Earnings attributable to Class I and Class II Shares ($ per share)	**2.15**	2.20	4.47
Total assets	**23,004**	22,200	21,703
Long-term debt	**9,852**	9,619	9,436
Class I and Class II Share owners' equity	**4,111**	4,052	4,000
Cash dividends declared per Class I and Class II Share ($ per share)	**1.79**	1.74	1.62
Cash flows from operating activities	**1,864**	1,843	1,542
Capital investment [2]	**1,463**	1,069	1,324
Capital expenditures	**1,352**	1,041	1,218
Other Financial Metrics			
Weighted average Class I and Class II Shares outstanding *(thousands):*			
Basic	**114,172**	114,396	114,370
Diluted	**114,450**	114,713	114,746

(1) Additional information regarding these total of segments measures is provided in the Other Financial and Non-GAAP Measures section of this MD&A.

(2) Additional information regarding this non-GAAP measure is provided in the Other Financial and Non-GAAP Measures section of this MD&A.

REVENUES

Revenues in 2021 were $4,289 million, $345 million higher than the same period in 2020. Higher revenues were mainly due to improved performance at ATCOenergy resulting from higher electricity and natural gas commodity prices associated with floating rate energy contracts, higher flow-through revenues in the Electricity Distribution and Natural Gas Distribution businesses and the timing of prior period costs recovered in Natural Gas Distribution, ATCO Structures' increased workforce housing revenue with the addition of the new China Lake Military Rebuild project, and increased revenue from operations in Chile due to acquisition of the remaining 50 per cent ownership interest in ATCO Sabinco at the end of 2020. Higher revenues were partially offset by the completion of manufacturing work on ATCO Structures' LNG Canada Cedar Valley Lodge contract in Q2 2020.

ADJUSTED EARNINGS

Our adjusted earnings in 2021 were $382 million or 3.35 per share, compared to $352 million or 3.08 per share for the same period in 2020.

Higher adjusted earnings in 2021 were mainly due to a full 12 months of earnings from Canadian Utilities' International Electricity Operations comprised of ongoing transition work in the first half of 2021 and the June 2021 commencement of a Supplemental Agreement to LUMA Energy's 15-year Operations and Maintenance Agreement. Higher adjusted earnings were also due to inflation indexing in Australia, which positively impacted earnings in Canadian Utilities' International Natural Gas Distribution business, cost efficiencies within the Electricity Distribution business, and certain tax benefits recognized by ATCO Corporate in 2021.

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

EARNINGS ATTRIBUTABLE TO CLASS I AND CLASS II SHARES

Earnings attributable to Class I and Class II Shares were $246 million in 2021, $6 million lower compared to 2020. Earnings attributable to Class I and Class II Shares include timing adjustments related to rate-regulated activities, unrealized gains or losses on mark-to-market forward and swap commodity contracts, one-time gains and losses, impairments, and items that are not in the normal course of business or a result of day-to-day operations. These items are not included in adjusted earnings.

More information on these and other items is included in the Reconciliation of Adjusted Earnings to Earnings Attributable to Class I and Class II Shares section of this MD&A.

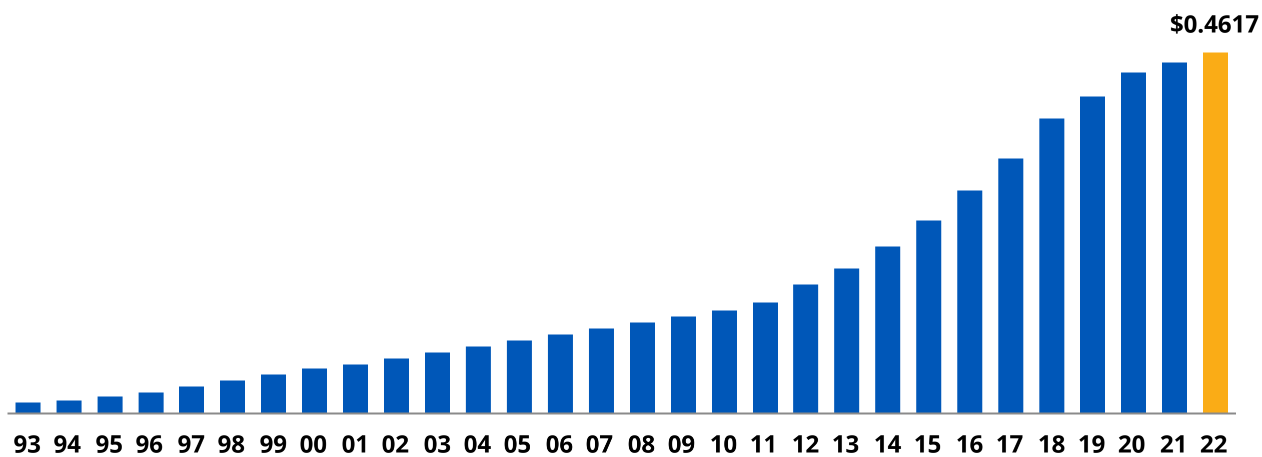
CASH FLOWS FROM OPERATING ACTIVITIES

Cash flows from operating activities were $1,864 million in 2021, $21 million higher than the same period in 2020. The increase was mainly due to higher customer contributions received for Alberta Utilities' capital expenditures, and higher cash flows generated in ATCO Structures' from the sale of used fleet. These amounts were partially offset by the Company's decision to provide rate relief to customers through the deferral of rate increases for Canadian Utilities' Electricity Distribution and Natural Gas Distribution businesses, which will be collected from customers starting in 2022.

COMMON SHARE DIVIDENDS

We have increased our common share dividend every year for the past 29 years, a track record of which we are very proud. Dividends paid to Class I and Class II share owners totaled $205 million in 2021. On January 13, 2022, the Board of Directors declared a first quarter dividend of 46.17 cents per share or $1.85 on an annualized basis. ATCO continues to grow its dividends consistent with the sustainable growth of its investments.

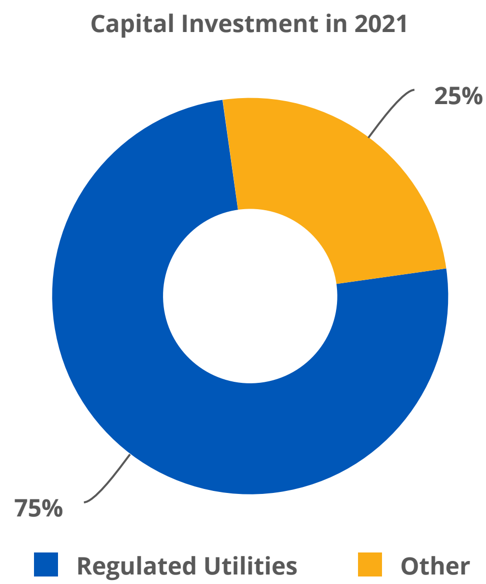
Quarterly Dividend Rate 1993 - 2022
(dollars per share)



CAPITAL INVESTMENT [1] AND CAPITAL EXPENDITURES

Total capital investment of $1,463 million in 2021 was $394 million higher compared to the same period in 2020, mainly due to the acquisition of the Pioneer Pipeline in Canadian Utilities' Natural Gas Transmission business; the acquisition of the Alberta Hub natural gas storage facility, the acquisition of three solar development projects, and the construction of a long-term contracted hydrocarbon storage cavern in Canadian Utilities' Energy Infrastructure segment; and a strategic land purchase.

Total capital expenditures of $1,352 in 2021 were $311 million higher compared to the same period in 2020, mainly due to the acquisition of the Pioneer Pipeline in Canadian Utilities' Natural Gas Transmission business; the acquisition of three solar development projects in the Energy Infrastructure segment; and a strategic land purchase.



Capital spending in Canadian Utilities' Regulated Utilities accounted for 75 per cent of total capital invested in the full year of 2021. The remaining 25 per cent invested mainly included the acquisition of the Alberta Hub natural gas storage facility, the acquisition of three solar development projects, the construction of a long-term contracted hydrocarbon storage cavern in Canadian Utilities' Energy Infrastructure segment, and a strategic land purchase.

(1) Additional information regarding this non-GAAP measure is provided in the Other Financial and Non-GAAP Measures section of this MD&A.

ATCO SCORECARD

The following scorecard outlines our performance in 2021.

Target Met | Target Partially Met | Target Not Met

STRATEGIC PRIORITIES	2021 TARGET		2021 PERFORMANCE
INNOVATION			
New and existing products and services	Continue to expand ATCO Structures' permanent modular construction into hotels, schools, healthcare facilities, affordable housing, and senior's living centres.	Target Met	ATCO Structures secured its sixth affordable housing project with the Government of British Columbia supportive housing program. The four-story, 61-unit apartment complex was awarded during the second quarter of 2021. ATCO Structures completed a contract to provide two healthcare complexes in Guatemala with 7,400 m^2 of clinical space for the treatment of patients with COVID-19. ATCO Structures was awarded a contract to supply 15 double classrooms and 7 two-story classrooms to the Victoria Department of Education in Australia.
	Complete master planning and land use work on the Edmonton "North Yard" redevelopment site in ATCO Land and Development Ltd.	Target Met	ATCO Land and Development completed the master planning work on the "North Yard" redevelopment site. A land use redesignation application process has been initiated with the City of Edmonton and is awaiting approval.
	Continue to build and enhance Ashcor's business model for the processing and marketing of ash within the North American market.	Target Met	On May 28, 2021, the CSA released a notable amendment to the CSA A3001 specification, "Cementitious Materials for Use in Concrete." The revised standard allows for the inclusion of harvested and processed bottom ash with fly ash for use in concrete, provided the physical and chemical requirements of the standard are met. Following the successful amendment, Ashcor has experienced improved production rates, and strong customer adoption of its reclaimed ash product.

STRATEGIC PRIORITIES	2021 TARGET		2021 PERFORMANCE
New and existing products and services	Explore and test new products and methods of energy delivery to meet customers' future needs.		
	• Continue to support communities and customers through the deployment of cleaner energy solutions.	●	The Vuntut Gwitchin First Nation and Canadian Utilities announced the completion of Canada's most northerly off-grid solar project, reducing diesel use by 189,000 litres annually in Old Crow, Yukon and providing a clean energy source for decades to come.
	• Explore further opportunities to invest in clean fuel initiatives such as hydrogen and renewable natural gas within the Utilities and Energy Infrastructure businesses.	●	Utilities and Energy Infrastructure 2021 strategies focused on energy transition with a specific emphasis on renewable generation, hydrogen blending, clean fuels and energy storage. Through the calendar year we announced the following projects (further details can be found in the Business Unit Performance section of this MD&A): • Alberta Hub Natural Gas Storage Acquisition • Two Hills RNG Facility • Empress Solar Development Project • Calgary Solar Development Projects • Canadian Utilities - Suncor Clean Hydrogen Project • Clean Energy Innovation Park, Australia • Central West Pumped Storage Hydro Project, Australia • Fort Saskatchewan Hydrogen Blending
GROWTH			
Regulated and long-term contracted capital investment	Continue to strategically invest in Canadian Utilities' technology and the modernization of both the natural gas and electricity networks to enhance sustainability and flexibility while reducing the long-term need for additional utility infrastructure, resulting in lower costs and an improved experience for customers.	●	Continued progression on the digitization of the grid: • Continued deployment of Advanced Metering Infrastructure (AMI) across our service territory. The communities of Grande Prairie and Chipewyan Lake are now complete. • Progressing on the Advanced Distribution Management System (ADMS) that will orchestrate the delivery of electricity across a multi-directional flowing grid. Canadian Utilities announced the acquisition of the Pioneer Pipeline in 2020 and closed this transaction on June 30, 2021. The 131-km natural gas pipeline has been incorporated into NOVA Gas Transmission's (NGTL) and ATCO's Alberta regulated natural gas transmission systems to provide reliable natural gas supply to TransAlta's power generating units at Sundance and Keephills, facilitating the conversion of these coal plants to cleaner-burning natural gas. Consistent with the geographic areas defined in the Integration Agreement, Canadian Utilities' Natural Gas Transmission will transfer to NGTL the 30-km segment of pipeline in 2022 that is located in the NGTL footprint. The pipeline transfer was approved by the Canada Energy Regulator on December 22, 2021. LUMA Energy began implementation of the System Remediation Plan and engaged with the Federal Emergency Management Agency (FEMA) and US Department of Housing and Urban Development (HUD) on capital rebuilding programs designed to lift electricity transmission and distribution operations to the standards of a world-class utility.

STRATEGIC PRIORITIES	2021 TARGET		2021 PERFORMANCE
Regulated and long-term contracted capital investment	Continue to advance replacement and improvement projects in Canadian Utilities to ensure that the safety and reliability of our gas and electricity systems are properly maintained and managed.	●	The ongoing Urban Pipeline Replacement (UPR) Program in Alberta consists of the removal of the remaining high-pressure service pipe, installation of remaining stations, and clean-up efforts. The project is expected to be completed in 2022 and will have removed a total of 310-km upon completion.
Global expansion	Continue expansion into select global markets including: North America, Australia, and Chile.	●	Canadian Utilities, along with its partner, Quanta Services, Inc., announced their joint ownership interest in LUMA Energy in 2020 and commenced a one-year transition period. In June 2021, one month in advance of its anticipated timeline, LUMA Energy commenced operations under a Supplemental Agreement to its 15-year contract to modernize and operate Puerto Rico's electricity transmission and distribution system. Canadian Utilities and its joint venture partner, Australian Gas Infrastructure Group, received notification of conditional grant funding from Australian Renewable Energy Agency (ARENA) of $29 million AUD to contribute financing for the production of hydrogen through a large scale project at Canadian Utilities' proposed Clean Energy Innovation Park (CEIP) in Western Australia. ATCO acquired the rights to develop the 325-MW Central West Pumped Storage Hydro project, located approximately 175-km west of Sydney, Australia. The acquisition marks ATCO's first renewable energy investment on Australia's east coast. A final investment decision on project construction is expected in 2023.
	Reposition ATCO Structures' rental fleet into growing regions and further expand the space rental business in the US and other select regions.	●	ATCO Structures' space rental fleet increased by 1,403 units in 2021 as part of strategic expansion in North America, Chile and Australia. ATCO Structures completed the sale of its 42-unit Alaskan space rentals fleet in the US which enables the business to continue its focus on mainland US space rentals fleet expansion.

STRATEGIC PRIORITIES	2021 TARGET		2021 PERFORMANCE
Global expansion	Continue to build sustainable growth in permanent modular construction and space rentals at ATCO Structures.		ATCO Structures continued to secure affordable housing projects with the Government of British Columbia's supportive housing program. A four-story, 61-unit apartment complex was awarded in the second quarter of 2021. The Victoria Department of Education awarded ATCO Structures a contract to supply 15 double classrooms and 7 two-story classrooms in the third quarter of 2021. Throughout 2021, space rental demand increased across all geographies due to an increase in activity in the construction and mining sectors. This growth in demand produced an increase in utilization and average rental rates across all geographies.
	Continue retrofitting idle workforce housing fleet in Canada and the US and capitalize on opportunities as they arise.		ATCO Structures decreased the size of its idle workforce housing fleet and increased the average utilization rate year-over-year by selling used and under-utilized fleet assets in Canada, Australia, and the US. Through optimization of the US workforce housing fleet, Structures has capitalized on used fleet sale opportunities resulting in the sale of 240 idle workforce housing units.
	Invest in Australia's workforce housing fleet.		ATCO Structures was awarded a contract for the supply of a 120-unit camp at the Angelo River mine site in Western Australia.
	Continue to expand upon ATCO Frontec's North American camp business.		ATCO Frontec was awarded a contract from the State of California Department of General Services to operate a 100-bed facility near Quincy, California.
	Continue to pursue ATCO Frontec facilities and maintenance contracts with commercial and government clients, including large scale defence contracts.		Defense Construction Canada awarded Frontec North America two Facility Maintenance and Site Services contracts with a combined revenue of $25 million to maintain 15 different sites of Department of National Defence buildings and associated infrastructure across Alberta. UQSUQ was awarded a 10-year contract in 2021 to manage and operate Iqaluit's bulk fuel storage facility, pipeline distribution system and municipal fuel delivery system. This contract continues a successful 14-year relationship.

STRATEGIC PRIORITIES	2021 TARGET	2021 PERFORMANCE
Global expansion	Seek opportunities with Neltume Ports' available cash in brownfield, greenfield and acquisition opportunities.	Neltume Ports acquired a 70 per cent interest in Tidal Transport & Trading USA (Tidal). Tidal provides full-scale marine operation services, focused primarily on stevedoring, hold cleaning, and port captaincy on the US West Coast, with operations in California, Oregon, and Washington. AutoMobile International Terminal (AIT), a 50/50 joint venture partnership with Terminal Zarate in Mobile, Alabama had their grand opening and is now in service. The port will primarily serve the import and export requirements of the automotive market in the US. Neltume Ports increased ownership ranging from 4 per cent to 8 per cent in three existing operations; Terminal Ontur, Sagres, and Puerto Coronel.
	Continue to build upon Canadian Utilities' existing renewables generation platform in the Energy Infrastructure business.	Acquired the rights to the Empress Solar project, a 39-MW solar facility under development near Empress, Alberta with commercial operations expected in 2022. The project will provide enough renewable electricity to power more than 11,000 homes. Acquired the development rights to build two solar projects with a combined capacity of 64-MW in Calgary, Alberta with commercial operations expected in 2022. The Deerfoot and Barlow projects will provide enough renewable electricity to power more than 18,000 homes.
FINANCIAL STRENGTH		
Credit rating	Maintain investment grade credit rating.	Maintained 'A (low)' long-term credit rating with a stable trend with DBRS Limited. Maintained 'A-' long-term issuer credit rating with a negative outlook on ATCO and Canadian Utilities with Standard & Poors.
Access to capital markets	Access capital at attractive rates.	In 2021, CU Inc. raised $460 million in 30-year debentures at a rate of 3.174 per cent. The issue was oversold and completed at an attractive spread of 138 basis points above Government of Canada 30-year bond rates. Canadian Utilities issued $201 million of 4.75 per cent Cumulative Redeemable Second Preferred Shares Series HH by means of a short-form prospectus. The proceeds of the issuance were used for capital expenditures, to repay indebtedness and for other general corporate purposes.

STRATEGIC PRIORITIES	2021 TARGET		2021 PERFORMANCE
OPERATIONAL EXCELLENCE			
Lost-time incident frequency: employees **Total recordable incident frequency: employees**	Compare favourably to safety benchmarks.		Our lost-time incident frequency compares favourably to benchmarks such as Alberta Occupational Health and Safety, US private industry, and industry best practice rates. Our lost-time incident frequency in 2021 was 0.14/200,000 hours worked. Our total recordable incident frequency in 2021 compares favourably to benchmarks such as US private industry and industry best practice rates. Our total recordable incident frequency in 2021 was 1.44 incidents/200,000 hours worked.
Customer satisfaction	Achieve high service for the customers and communities we serve. Results from customer satisfaction surveys should be consistent with or better than prior years.		Within Electricity and Natural Gas Distribution, approximately 97 per cent of customers agreed that Canadian Utilities provides good service. Within our energy retail operations, 75 per cent of customers who interact with call centres are "very satisfied". These results compare favourably to industry averages and are consistent with previous years. ATCO Gas Australia’s Customer Satisfaction (CSAT) was 8.9 out of a possible 10, above a national industry benchmark of 8.5. ATCO Gas Australia consistently outperforms the broader energy industry in terms of both customer satisfaction and also a second measurement, the ‘ease of implementation’ of its services. ATCO Gas Australia has improved its CSAT score from 8.7 in 2020 to 8.9 in 2021. LUMA Energy had a six per cent increase in overall customer satisfaction, and a 13 per cent increase in both in-person customer service and power quality and reliability as measured by J.D. Power CSAT score.
Organizational transformation	Streamline and gain operational efficiencies.		
	• Continue to develop a strategy for ATCO Structures' manufacturing facilities and capabilities in Canada and the US, to provide better competitive value for the business. Reduce costs in production and provide scalable capacity and improved performance while maintaining a low fixed cost structure through peak cycles of activity.		A permanent modular construction project and a workforce housing trade sale project was awarded to ATCO Structures US and was manufactured in the ATCO Structures Canadian manufacturing facility. This strategic utilization of global manufacturing capacity filled excess manufacturing capacity in the Canadian facility while enabling the US facility to direct local manufacturing capacity on securing additional trade sale opportunities. ATCO Structures was able to balance capacity with production of fleet units in line with the space rentals strategic expansion targets.

STRATEGIC PRIORITIES	2021 TARGET	2021 PERFORMANCE
	• Continue to optimize enterprise resource planning, workforce and asset management, customer information systems and computerized maintenance management systems within Canadian Utilities.	Canadian Utilities continued implementation of a Workforce and Asset Management program for its electricity and natural gas businesses to advance digitalization and data analytics. This technology will help to optimize resources, and digitize information and processes thereby providing a means to track, manage, and dispatch work to field-based employees more efficiently. The natural gas business is expected to complete implementation by 2022, followed by the electricity business in 2023. ATCO Gas Australia commenced an upgrade of its billing and metering system to comply with Australian Energy Market Operator (AEMO) regulations. This project will provide stakeholders with added functionality and upgrade the software to the latest version. The upgrade is being run in two phases, with Phase 1 complete and Phase 2 due for completion in 2022. The Alberta Utilities implemented a Customer Information System (CIS) replacement program. CIS holds our metering asset information, collects meter reads, calculates billing, and applies rates and production tariff bills for retailers. The replacement for both Natural Gas and Electricity is well underway, and the projects are on-track to go-live in 2022.
COMMUNITY INVOLVEMENT		
Indigenous relations	Continue to work together with Indigenous communities to contribute to economic and social development in their communities.	Across our operations, we awarded contracts of approximately $100 million for Indigenous and Indigenous-affiliated contractors in 2021. $64,500 was awarded to 52 students across Canada, including the territories, through the ATCO Indigenous Education Awards Program. A total of 5,280 employees participated in one of the many Indigenous training courses offered in 2021 through virtual classroom and training platforms. ATCO Australia implemented its 'Innovate Reconciliation Action Plan (RAP)'. This plan strengthens our approach to driving reconciliation through business activities and community programs, and develops mutually beneficial relationships with Aboriginal and Torres Strait Islander stakeholders and organizations. Recognizing the continuing connection to land, sea and culture, ATCO Australia have invited Elders to welcome our employees to their country through Cultural Smoking Ceremonies for events and projects. Canadian Utilities announced the completion of Canada's most northerly off-grid solar project in Old Crow, Yukon. The facility will provide the Vuntut Gwitchin First Nations with a clean energy source for decades to come and fosters community ownership and self-sustaining economic development through job creation, investment in infrastructure, and revenue from the sale of renewable energy.

STRATEGIC PRIORITIES	2021 TARGET		2021 PERFORMANCE
ATCO EPIC (Employees Participating in Communities)	Continue to administer the employee-led campaign to give employees the opportunity to contribute to charitable organizations in the communities in which they work.		With the combined efforts of our employees around the world, ATCO pledged more than $2.97 million to support hundreds of community charities through our annual ATCO EPIC campaign, taking the program's cumulative fundraising total to over $50 million since its inception in 2006. The ATCO Giving Gardens at Spruce Meadows was created in spring 2021 as a way to weave sustainability, volunteerism and generosity into one great initiative by providing fresh produce to Calgary's vulnerable seniors and veterans. ATCO provided 4,720 meals to seniors and veterans through our partnerships with the Calgary Seniors' Resource Society and the Homes For Heroes Foundation in Calgary. ATCO's Giving Gardens supplied the beets, potatoes, and squash towards these meals.
Community Investment	Invest in the health and safety of LUMA Energy's people and communities by opening a state-of-the-art electricity and lineworkers college in Puerto Rico.		In 2021, LUMA Energy obtained all permits and began construction on the LUMA College for Technical Training – a state-of-the-art lineworkers' college within Puerto Rico aimed at training LUMA Energy's current and future employees. The College's 24-acre site in Canóvanas will include an outdoor skills training field, indoor learning laboratory, administrative and classroom operations building, and covered equipment and personnel parking structures. Collectively, this will create approximately 22,000 square feet of usable building space for the purpose of training, education and administration. During construction activities in 2021, the College innovated by using off-site locations in Puerto Rico to commence its training programs and graduated the first pre-apprentice class of 14 students in October.

STRATEGIC PRIORITIES FOR 2022

The following table outlines our strategic priorities for 2022.

INNOVATION	
New and existing products and services	Demonstrate continued product and service expansion within ATCO Structures to diversify revenue, expand customer base, achieve market penetration, and improve manufacturing and installation. Continue to build and enhance Ashcor's business model for the processing and marketing of ash within the North American market. Continue to progress Canadian Utilities' energy transition strategies across the regulated and non-regulated energy businesses to increase ownership, develop or manage renewable generation, energy storage and/or clean fuel facilities, and/or modernize natural gas and/or electricity delivery. Continue to prioritize Canadian Utilities' strategic role in working with remote communities to reduce their reliance on diesel fuels in a way that continues to support economic growth, energy independence, reconciliation and community building with Indigenous peoples.
GROWTH	
Regulated and long-term contracted capital investment	Continue to strategically invest in Canadian Utilities' technology and the modernization of both the natural gas and electricity networks to enhance sustainability and flexibility. Continue to advance replacement and improvement projects in Canadian Utilities to ensure that the safety and reliability of our gas and electricity systems are properly maintained and managed. Continue to implement the System Remediation Plan in LUMA Energy; designed to lift the Transmission & Distribution System to the standards of a world-class utility. Increase the average contracted life of the in-service renewable generation portfolio by securing new power purchase agreements.
Global expansion	Continue expansion into select global markets including North America, South America, and Australia: • Continue to build sustainable growth within ATCO Structures through the expansion of the rental fleet, space rental business and permanent modular construction business in select markets. • Continue to optimize idle workforce housing fleet capitalizing on opportunities as they arise. • Expand ATCO Frontec's North American camp business and enter the Australian market. • ATCO Frontec will expand into new geographies with the focus of servicing remote communities. • Grow ATCO Frontec's Facilities Operations & Maintenance Business with further commercial and government clients, including large scale defence contracts. • Ashcor to secure additional commercial agreements and ash rights in North America. • Seek opportunities with Neltume Ports' available cash in brownfield, greenfield and acquisition opportunities. • Continue to build upon Canadian Utilities' existing renewables generation and energy storage, and invest in Clean Fuels innovation in the Energy Infrastructure business.
FINANCIAL STRENGTH	
Credit rating	Maintain investment grade credit rating.
Access to capital markets	Continue to manage liquidity and access to capital in a prudent manner that facilitates strong access to capital at appropriate rates.

OPERATIONAL EXCELLENCE	
Lost-time and total recordable incident frequency: employees	Compare favourably to safety benchmarks.
Customer satisfaction	Achieve high service for the customers and communities we serve. Results from customer satisfaction surveys should be consistent with or better than prior years. Continue to prioritize improvements in LUMA Energy based on customer input and measure effectiveness via overall Customer Satisfaction scores.
Organizational transformation	Streamline and gain operational efficiencies: • Continue to demonstrate progress in leadership development, succession planning, and diversity, equity and inclusion initiatives across the organization. • Pivot the Structures' manufacturing business to a more flexible and agile operating model across all geographies that creates cost efficiencies in its global manufacturing operations. • ATCO Land and Development will work with all ATCO businesses to optimize the group's real estate portfolio for operational use and long-term value and optionality. • Continue to optimize enterprise resource planning, workforce and asset management, customer information systems and computerized maintenance management systems within Canadian Utilities. • LUMA Energy will advance its integrated safety culture and programs that will allow prioritization of safety risks and mitigations across business functions and enable employee safety, compliance and continual improvement. • LUMA has developed baseline performance metrics and will monitor progress in, among other areas, customer service, safety, reliability and the delivery of budgeted results.

COMMUNITY INVOLVEMENT	
Indigenous relations	Continue to work together with Indigenous communities to contribute to economic and social development in their communities.
ATCO EPIC (Employees Participating in Communities)	Continue to administer the employee-led campaign to give employees the opportunity to contribute to charitable organizations in the communities in which they work. LUMA Energy will establish the LUma Committed with EmployeeS ("LUCES") program.
Community investment	Invest in the health and safety of LUMA Energy's people and communities by opening a state-of-the-art electricity and distribution lineworkers college in Puerto Rico. The formal college is expected to open in the second quarter of 2022. LUMA Energy will continue its grassroots community investment program across Puerto Rican municipalities through partnership with the American Red Cross of Puerto Rico and the Boys & Girls Club of Puerto Rico. As a community partner in the Homes for Heroes Foundation, ATCO Structures' will continue to provide expertise in design, manufacturing, transportation and placement to provide housing along with the resources, services and training that will enable them to successfully transition.

CORPORATE GOVERNANCE

Ensuring that our business operates in a transparent, ethical and accountable manner is at the core of creating strong and sustainable value for our share owners and in promoting the Company's well-being over the long term.

We do not believe in a one-size-fits-all approach to governance. Our Board of Directors has designed and implemented a unique and effective system of checks and balances that recognize the need to provide autonomy to our various business units, while prudently managing our financial resources.

This fit-for-purpose approach to governance has worked exceedingly well over the years, providing our Board of Directors and senior management team with the foundation to create long-term intergenerational value for our share owners.

Following are some of the highlights of our model for corporate governance. For a more complete picture, please see the Governance section of the 2021 Management Proxy Circular, which will be available in April 2022.

Our Board of Directors

The role of our Board of Directors has evolved alongside our business, providing oversight to an organization with a growing global footprint and a diverse, yet complementary suite of premier products and services. The Board strives to ensure that its corporate governance practices provide for the effective stewardship of the Company, and it regularly evaluates these practices to ensure they are in keeping with the highest standards.

Key elements of our corporate governance system include the oversight and diligence provided by the Board, the Lead Director, the Audit & Risk Committee and the Corporate Governance - Nomination, Compensation and Succession Committee (GOCOM). Although not required by securities laws, some of our governance tools, such as the use of Designated Audit Directors (DADs), also reinforce the effectiveness and rigor of our governance model.

Much like our business operations, the strength of our Board of Directors is due in no small part to the diverse nature of skills, talent and experience each member brings to Board deliberations.

In 1995, ATCO was among the first public companies in Canada to introduce the concept of a Lead Director. Dr. Robert J. Routs is the current Lead Director for ATCO, and was appointed to this position on July 22, 2021. The Lead Director provides the Board with the leadership necessary to ensure independent oversight of management. The Lead Director is an independent director and must be a member of GOCOM.

Designated Audit Directors

Distinctly unique to ATCO are Designated Audit Directors who are directors of either ATCO or Canadian Utilities. Each DAD is assigned to one of our business units to provide oversight based on their strengths and experience in various industry sectors.

Each DAD meets quarterly with the senior leadership of their business unit, and holds annual meetings with internal and external auditors. In addition, they review their respective businesses' financial statements and operating results, discuss risks with management, and report on both operating results and risks to our Audit & Risk Committee.

BUSINESS UNIT PERFORMANCE

ATCO Structures & Logistics' activities are conducted through two complementary businesses: ATCO Structures and ATCO Frontec. Diversified by geography, product and service offerings, these businesses meet the needs of customers and communities globally. Together they offer 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.

REVENUES

Structures & Logistics revenues of $243 million in the fourth quarter of 2021 were $72 million higher than the same period in 2020. Higher revenues were mainly due to increased workforce housing activity on numerous projects, the addition of the China Lake Military Rebuild project in the US, higher space rental activity across all geographies, and permanent modular construction activity in Canada and Australia. Higher revenues were partially offset by the completion of manufacturing work on ATCO Structures' LNG Canada Cedar Valley Lodge project in 2020.

Structures & Logistics revenues of $777 million in the full year of 2021 were $63 million higher than the same period in 2020. This was largely due to the addition of the China Lake Military Rebuild project, higher space rental activity across all geographies, the acquisition of the remaining 50 per cent ownership interest in ATCO Sabinco at the end of 2020, ATCO Frontec's disaster and emergency management response projects, and workforce housing service contracts. Higher revenues were partially offset by the completion of the manufacturing work on ATCO Structures' LNG Canada Cedar Valley Lodge project in 2020.

ADJUSTED EARNINGS

	Three Months Ended December 31			Year Ended December 31		
($ millions)	**2021**	**2020**	**Change**	**2021**	**2020**	**Change**
ATCO Structures [1]	**6**	13	(7)	**48**	52	(4)
ATCO Frontec [1]	**(1)**	4	(5)	**5**	5	—
Total Structures & Logistics	**5**	17	(12)	**53**	57	(4)

(1) Additional information regarding these Non-GAAP measures is provided in the Other Financial and Non-GAAP Measures section of this MD&A.

Structures & Logistics adjusted earnings of $5 million in the fourth quarter of 2021 were $12 million lower than the same period in 2020. Lower earnings were mainly due to lower contributions from ATCO Structures' LNG Canada Cedar Valley Lodge project which reached substantial completion in the third quarter of 2021, lower earnings from workforce housing trade sales in Mexico, and lower client work requests at the BC Hydro Site C and Alaska Radar System sites serviced by ATCO Frontec. Lower earnings were partially offset from continued focus on the build-out of space rentals in ATCO Structures.

Structures & Logistics adjusted earnings of $53 million in the full year of 2021 were $4 million lower than the same period in 2020. Lower earnings were mainly due to lower contributions from ATCO Structures' LNG Canada Cedar Valley Lodge project which reached substantial completion in the third quarter of 2021, and lower earnings from workforce housing trade sales in Mexico. Lower earnings were partially offset by ATCO Structures' higher space rentals activity.

Detailed information about the activities and financial results of the Structures & Logistics businesses is provided in the following sections.

ATCO STRUCTURES

ATCO Structures manufactures, sells and leases transportable workforce housing, residential housing, and space rental products. Space rentals sells and leases mobile office trailers in various sizes and floor plans to suit our customers' needs. Workforce housing delivers modular workforce housing worldwide, including short-term and permanent modular construction, pre-fabricated and relocatable modular buildings.

ATCO Structures adjusted earnings of $6 million and $48 million in the fourth quarter and full year of 2021 were $7 million and $4 million lower than the same periods in 2020. Lower earnings were mainly due to lower contributions from the LNG Canada Cedar Valley Lodge project which reached substantial completion in the third quarter of 2021, and lower earnings from workforce housing trade sales in Mexico, partially offset by higher earnings from space rentals activity.

The following table compares ATCO Structures' manufacturing hours and rental fleet for the fourth quarter and full year of 2021 and 2020.

	Three Months Ended December 31			Year Ended December 31		
	2021	2020	Change	2021	2020	Change
North America						
Manufacturing hours *(thousands)*	**109**	91	20%	**488**	718	(32%)
Global Space Rentals						
Number of units	**20,230**	18,827	7%	**20,230**	18,827	7%
Average utilization *(%)*	**83**	75	8%	**82**	73	9%
Average rental rate *($ per month)*	**615**	617	—%	**603**	615	(2%)
Global Workforce Housing						
Number of units	**2,333**	2,679	(13%)	**2,333**	2,679	(13%)
Average utilization *(%)*	**74**	63	11%	**67**	52	15%
Average rental rate *($ per month)*	**2,452**	1,672	47%	**2,130**	1,554	37%

Manufacturing Hours

The increase in manufacturing hours in the fourth quarter of 2021 was mainly due to execution of manufacturing work on the Brucejack contract, a 450-person camp for Pretium Exploration Inc. in Northwest British Columbia (BC).

The decrease in manufacturing hours for 2021 was mainly due to the completion of manufacturing on the LNG Canada Cedar Valley Lodge project in 2020.

Rental Fleet

Global Space Rentals

ATCO Structures increased its global space rental fleet by 1,493 units year-over-year. The increase was part of the continued strategic expansion of the space rental fleet in targeted regions of Canada, mainland US, and Chile. Throughout 2021, space rental demand increased mainly due to an increase in activity in the construction and mining sectors. This growth in demand produced an increase in utilization. During the fourth quarter of 2021, ATCO Structures completed the sale of its 42-unit Alaskan space rentals fleet in the US which enables the business to continue to focus on mainland US space rentals fleet expansion.

Global Workforce Housing

ATCO Structures continuously evaluates the size of its global workforce housing fleet in relation to economic conditions and seeks to balance unit counts, utilization rates and average rental rates. ATCO Structures decreased the size of its idle workforce housing fleet and increased the average utilization rate year-over-year by selling used and under-utilized fleet assets in Canada, Australia, and the US. The increase in the utilization rate was also due to the workforce housing fleet on rent for the Trans Mountain Expansion project in BC. Increased utilization in the US was a result of disaster relief camps on rent to house workers and people displaced by Hurricane Ida. Increases in workforce housing average rental rates correspond with the shift in customer demand towards higher priced, lower density workforce housing options in Canada, and short-term rental contracts in the US.

ATCO STRUCTURES RECENT DEVELOPMENTS THROUGHOUT 2021

Canada

Trans Mountain Expansion Project

In the fourth quarter of 2021, ATCO Structures was awarded a rental contract to supply a 550-person camp for the Trans Mountain Expansion Project in Blue River, BC. This is the third camp for the project with the previous camps located in Valemount and Clearwater, BC. Crews were mobilized in the fourth quarter of 2021 with the first 100 beds planned to be turned over for occupancy in the first quarter of 2022, and the remainder by the second quarter of 2022.

Cedar Valley Lodge - LNG Canada

ATCO Structures, through its joint venture with Bird Construction and the Haisla Nation, continued work on the LNG Canada Cedar Valley Lodge project through the first three quarters of 2021. The facility was built to house workers involved in the construction of LNG Canada’s natural gas liquefaction and export facility in Kitimat, BC and is one of the largest accommodation facilities ever built in Canada. Manufacturing of the modules for the accommodation facility was completed in the second quarter of 2020 and installation activity was substantially completed in the third quarter of 2021.

LNG Canada Cedar Valley Lodge, Kitimat, BC

BC Housing - Government of British Columbia

ATCO Structures secured several projects with the Government of British Columbia's supportive housing program in 2019 and 2020. The housing projects will provide affordable housing to individuals and families across the province. In the second quarter of 2021, ATCO Structures was awarded an additional $13 million supportive housing contract in Vernon, BC for a four-story, 61-unit building which is expected to be completed in Q2 2022. This is our sixth affordable housing project.

Brucejack - Pretium Exploration Inc.

In the first quarter of 2021, ATCO Structures was awarded a contract for the supply of a 450-person camp for Pretium Exploration Inc.'s Brucejack operations in Northwest BC. The $44 million contract includes the supply of accommodation dorms with complete kitchen and recreation amenities. Installation work is expected to conclude in the first quarter of 2022.

United States

Plumas Basecamp Greenville - California Department of General Services Forest Fire Recovery

In the third quarter of 2021, ATCO Structures was awarded a $25 million supply contract for a 102-person modular accommodation facility with common areas and ongoing support services for the California Department of General Services Forest Fire Recovery in Quincy, California. The delivery and installation was completed in the fourth quarter of 2021.

China Lake Military Base Rebuild - Environmental Chemical Corporation

In the first quarter of 2021, ATCO Structures completed installation of a $19 million contract to support the rebuild and expansion of the China Lake Military Base in southern California. The military base was damaged by two major earthquakes in July 2019. During the third quarter of 2021, ATCO Structures was awarded a 150-person expansion camp which was completed in the fourth quarter of 2021. In the fourth quarter of 2021, we were awarded a second 150-person expansion camp to be completed in the first quarter of 2022. The combined value of the expansion camps is $22 million.

Australia

Bechtel Pluto Train II

In February 2020, ATCO Structures was awarded two Limited Notice to Proceed contracts for the construction of a 2,500-person accommodation village to support the construction of a second LNG train. In the second quarter of 2020 the project was suspended. In the fourth quarter of 2021, ATCO Structures received a Full Notice to Proceed. The project will resume in the first quarter of 2022.

Angelo River Mine Site - Robe River Mining Company

In the third quarter of 2021, ATCO Structures was awarded an $18 million contract for the supply of a 480-person camp at the Angelo River mine site in Western Australia. The camp was completed in the fourth quarter of 2021.

Victoria Department of Education

In the third quarter of 2021, ATCO Structures was awarded a $10 million contract to supply 15 double classrooms and 7 two-story classrooms to the Victoria Department of Education. Manufacturing for this contract commenced in the fourth quarter of 2021 and is expected to be complete by the second quarter of 2022.

Hallam Primary School, Victoria Australia

ATCO FRONTEC

ATCO Frontec provides facility operations and maintenance services, workforce lodging and support services, defense operations services, and disaster and emergency management services.

ATCO Frontec adjusted earnings in the fourth quarter of 2021 were $5 million lower than the same period in 2020. Lower adjusted earnings were mainly due to lower client work requests at the BC Hydro Site C Camp and Alaska Radar System sites.

ATCO Frontec adjusted earnings of $5 million in the full year of 2021 were comparable to the same period in 2020.

ATCO FRONTEC RECENT DEVELOPMENTS THROUGHOUT 2021

BC Hydro Site C Camp

In December 2021, ATCO Frontec received notification from BC Hydro that it had exercised its right to extend the agreement term for the Site C camp from December 31, 2022 to December 31, 2024.

Defence Construction Canada (DCC)

ATCO Frontec secured two Facility Maintenance and Site Services contracts with DCC to maintain 15 different Department of National Defence sites and the associated infrastructure across Alberta for a 5-year base period for a combined contracted revenue of $25 million. Both contracts contain options for an additional 6-year period, with a maximum contract term up to 11 years. Mobilization activities are underway and are on track for operations to commence in the second quarter of 2022.

Blue River Facility

In August 2021, ATCO Frontec commenced mobilization of a 550-bed facility near Blue River, BC for the Trans Mountain Expansion Project with the first occupants in the camp in November 2021. Full operations are expected to begin by the first quarter of 2022. This will be our third lodging contract related to the Trans Mountain project.

UQSUQ Contract

The Government of Nunavut originally awarded UQSUQ, a joint venture between ATCO Frontec and Nunavut Petroleum Corporation, a contract for bulk fuel delivery services in Iqaluit, Nunavut in June 2007. The contract involves operating and maintaining the Iqaluit bulk fuel storage facility and pipeline distribution system and the delivery of petroleum products. In the second quarter of 2021, ATCO Frontec received confirmation that UQSUQ had successfully secured the critical 10-year infrastructure contract with a 5-year extension option; reinforcing ATCO's commitment to Northern Canada and its Indigenous partners.

China Lake Military Base - Naval Berthing Camp

In the first quarter of 2021, ATCO Frontec was formally awarded a 44-month workforce lodging services contract (Naval Berthing Camp) for a 400-person camp to support additional construction work at the China Lake Military base. This contract includes three expansion options. In September 2021, ATCO Frontec was awarded the Phase 1 expansion, bringing camp capacity to 550-people, and operations began in January, 2022. In December 2021, ATCO Frontec was awarded the Phase 2 expansion bringing camp capacity to 700-people, and operations of this expansion will begin in the second quarter of 2022.

ATCO FRONTEC RECENT DEVELOPMENTS 2022

North Warning System (NWS) Contract

In February 2022, the Government of Canada awarded Nasittuq Corporation (Nasittuq), a partnership between ATCO Frontec and the Pan Arctic Inuit Logistics Corporation (PAIL), a seven-year contract to operate and maintain the North Warning System, beginning April 1, 2022. Under the contract, Nasittuq will operate and maintain 47 remote NWS sites in the Canadian Arctic and three facilities in Ontario. The remote sites include helipads, gravel runways, more than 100 buildings and over 300 bulk fuel storage tanks, and involves maintenance, logistics, environmental systems management, systems engineering and project management.

NELTUME PORTS

Neltume Ports is a port operator and developer with a diversified portfolio of 17 multi-purpose, bulk cargo and container port facilities and 6 port operation services. The business is located primarily in Chile with additional operations in Uruguay, Argentina, Brazil and the US.

ADJUSTED EARNINGS

	Three Months Ended December 31			Year Ended December 31		
($ millions)	**2021**	**2020**	**Change**	**2021**	**2020**	**Change**
Neltume Ports	**3**	7	(4)	**13**	15	(2)

Neltume Ports adjusted earnings of $3 million and $13 million in the fourth quarter and full year of 2021 were $4 million and $2 million lower than the same periods in 2020. Lower earnings were mainly due to a gain on sale of equipment in the fourth quarter of 2020 and timing of certain revenue and expenses.

RECENT DEVELOPMENTS THROUGHOUT 2021

In 2021, Neltume Ports increased its ownership interest in Sagres from 86 per cent to 90 per cent, in Terminal Ontur from 20 per cent to 28 per cent, and in Puerto Coronel from 17 per cent to 25 per cent.

Tidal Transport & Trading USA Acquisition

On September 3, 2021, Neltume Ports acquired a 70 per cent interest in Tidal Transport & Trading USA (Tidal). Tidal provides full-scale marine operation services focused primarily on stevedoring, hold cleaning, and port captaincy on the US West Coast, with operations in California, Oregon, and Washington. Tidal is Neltume Ports' first marine operation services on the west coast, further expanding its presence in the US.

AutoMobile International Terminal

On June 2, 2021, AutoMobile International Terminal, a 50/50 joint venture partnership with Terminal Zarate in Mobile, Alabama, had their grand opening and is now in service. The terminal is operating under a 10-year concession agreement with two consecutive 10-year extensions at the JV's election for a total of up to 30 years. The port will primarily serve the import and export requirements of the automotive market in the US.

ATCO Corporate & Other contains ATCO Land and Development Ltd. which is a commercial real estate business that holds investments for sale, lease or development, as well as Ashcor, a company engaged in the processing and marketing of live ash and ash reclaimed from landfills. ATCO Corporate & Other also includes the global corporate head office in Calgary, Canada, ATCO licensing fees received, and financing expenses associated with the Neltume Ports investment.

ADJUSTED EARNINGS

	Three Months Ended December 31			Year Ended December 31		
($ millions)	2021	2020	Change	2021	2020	Change
ATCO Corporate & Other	**5**	—	5	**6**	—	6

ATCO Corporate & Other adjusted earnings in the fourth quarter and full year of 2021 were $5 million and $6 million higher than the same period in 2020 mainly due to tax benefits recognized in 2021.

Executive Appointments

On October 6, 2021, the ATCO and CU Boards of Directors announced the appointments of Katie Patrick to the position of Executive Vice President, Chief Financial & Investment Officer of ATCO Ltd. and Brian Shkrobot to the position of Executive Vice President & Chief Financial Officer of Canadian Utilities Limited.

New Board of Directors Appointee

Effective September 1, 2021, Norman M. Steinberg was appointed to the Board of Directors of ATCO Ltd.

Canadian Utilities is a diversified global energy infrastructure corporation delivering operating and service excellence and innovative business solutions in Utilities (Electricity and Natural Gas Transmission and Distribution, and International Operations); Energy Infrastructure (Energy Storage, Energy Generation, Industrial Water Solutions, and Clean Fuels); and Retail Energy (Electricity and Natural Gas Retail Sales, and Whole-Home Solutions).

UTILITIES

REVENUES

Utilities revenues of $884 million and $3,041 million in the fourth quarter and full year of 2021 were $100 million and $109 million higher compared to the same periods in 2020 mainly due to higher flow-through revenues in the Electricity Distribution and Natural Gas Distribution businesses, and the timing of prior period costs recovered in Natural Gas Distribution.

Revenue growth for Electricity and Natural Gas Distribution in the fourth quarter and full year of 2021 has been deferred as a result of our decision to provide rate relief to customers in light of the current COVID-19 global pandemic and the economic situation in Alberta. The AUC issued a decision directing ATCO to collect the 2021 deferred amounts commencing January 1, 2022.

ADJUSTED EARNINGS

	Three Months Ended December 31			Year Ended December 31		
($ millions)	**2021**	**2020**	**Change**	**2021**	**2020**	**Change**
Electricity						
Electricity Distribution [1]	**20**	20	—	**80**	69	11
Electricity Transmission [1]	**19**	22	(3)	**81**	91	(10)
International Electricity Operations [1]	**8**	3	5	**23**	6	17
Total Electricity	**47**	45	2	**184**	166	18
Natural Gas						
Natural Gas Distribution [1]	**38**	41	(3)	**75**	76	(1)
Natural Gas Transmission [1]	**11**	12	(1)	**43**	47	(4)
International Natural Gas Distribution [1]	**13**	4	9	**34**	16	18
Total Natural Gas	**62**	57	5	**152**	139	13
Total Utilities [2]	**109**	102	7	**336**	305	31

(1) Additional information regarding these Non-GAAP measures is provided in the Other Financial and Non-GAAP Measures section of this MD&A.

(2) Additional information regarding this total of segments measure is provided in the Other Financial and Non-GAAP Measures section of this MD&A.

Utilities adjusted earnings of $109 million in the fourth quarter of 2021 were $7 million higher than the same period in 2020 mainly due to higher earnings from International Electricity Operations as a result of the June 2021 commencement of a Supplemental Agreement to LUMA Energy's 15-year Operations and Maintenance Agreement, and inflation indexing in International Natural Gas Distribution. Higher earnings were partially offset by timing of operating costs.

Utilities adjusted earnings of $336 million in the full year of 2021 were $31 million higher than the same period in 2020 mainly due to higher earnings from International Electricity Operations as a result of ongoing transition work in the first half of 2021 and the June 2021 commencement of a Supplemental Agreement to LUMA Energy's 15-year Operations and Maintenance Agreement. Higher earnings were also due to inflation indexing in International Natural Gas Distribution, and cost efficiencies within the Electricity Distribution business. Higher earnings were partially offset by the impact of the Electricity Transmission 2018-2019 GTA Compliance Filing decision and the 2020-2022 GTA Compliance Filing decision received in 2021. Combined, these decisions included a $6 million reduction of earnings related to prior periods.

Detailed information about the activities and financial results of the Utilities business segments is provided in the following sections.

Electricity Distribution

Electricity Distribution provides regulated electricity distribution and distributed generation mainly in Northern and Central East Alberta, the Yukon, the Northwest Territories and in the Lloydminster area of Saskatchewan.

Electricity Distribution adjusted earnings of $20 million in the fourth quarter of 2021 were comparable to the same period in 2020.

Electricity Distribution adjusted earnings of $80 million in the full year of 2021 were $11 million higher compared to the same period in 2020 mainly due to cost efficiencies.

Electricity Transmission

Electricity Transmission provides regulated electricity transmission mainly in Northern and Central East Alberta, and in the Lloydminster area of Saskatchewan. Electricity Transmission has a 35-year contract to be the operator of Alberta PowerLine, a 500-km electricity transmission line between Wabamun, near Edmonton and Fort McMurray, Alberta.

Electricity Transmission adjusted earnings of $19 million in the fourth quarter of 2021 were $3 million lower than the same period in 2020 mainly due to timing of operating costs.

Electricity Transmission adjusted earnings of $81 million in the full year of 2021 were $10 million lower than the same period in 2020. Lower earnings were mainly due to the impact of the Electricity Transmission 2018-2019 GTA Compliance Filing decision received in the second quarter of 2021, and the 2020-2022 GTA Compliance Filing decision received in the third quarter of 2021. Combined, these decisions included a $6 million reduction of earnings related to prior periods.

International Electricity Operations

International Electricity Operations includes Canadian Utilities' 50 per cent ownership in LUMA Energy, a company formed to transform, modernize and operate Puerto Rico's 30,000-km electricity transmission and distribution (T&D) system under an Operations and Maintenance Agreement with the Puerto Rico Public-Private Partnerships Authority (P3A) and the Puerto Rico Electric Power Authority (PREPA).

LUMA Energy has assumed operations under terms of a Supplemental Agreement as PREPA remains in bankruptcy. This Agreement can span up to 18 months and allows LUMA Energy to collect an annualized fixed fee equivalent of $115 million USD. Should PREPA emerge from bankruptcy during this period, LUMA Energy will transition to year one of the previously outlined Operations and Maintenance Agreement.

International Electricity Operations adjusted earnings of $8 million and $23 million in the fourth quarter and full year of 2021 were $5 million and $17 million higher than the same periods in 2020. Higher earnings were mainly due to ongoing transition work in the first half of 2021 and the June 1, 2021 commencement of operations under a Supplemental Agreement to LUMA Energy's 15-year contract to modernize and operate Puerto Rico's electricity T&D system.

Natural Gas Distribution

Natural Gas Distribution serves municipal, residential, commercial and industrial customers throughout Alberta and in the Lloydminster area of Saskatchewan.

Natural Gas Distribution adjusted earnings of $38 million in the fourth quarter of 2021 were $3 million lower than the same period in 2020 mainly due to timing of operating costs.

Natural Gas Distribution adjusted earnings of $75 million in the full year of 2021 were $1 million lower than the same period in 2020 mainly due to higher operating costs, partially offset by growth in rate base.

Natural Gas Transmission

Natural Gas Transmission receives natural gas on its pipeline system from various gas processing plants as well as from other natural gas transmission systems and transports it to end users within the province of Alberta or to other pipeline systems.

Natural Gas Transmission adjusted earnings of $11 million and $43 million in the fourth quarter and full year of 2021 were $1 million and $4 million lower than the same periods in 2020. Lower earnings were mainly due to the impact of the 2021-2023 General Rate Application which included operating cost efficiencies implemented in prior periods that are being passed on to customers, partially offset by growth in rate base.

International Natural Gas Distribution

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

International Natural Gas Distribution adjusted earnings of $13 million and $34 million in the fourth quarter and full year of 2021 were $9 million and $18 million higher compared to the same periods in 2020. Higher earnings were mainly due to the impact of inflation indexing and increased customer volumes.

UTILITIES RECENT DEVELOPMENTS THROUGHOUT 2021

Old Crow Solar Development Project

In August 2021, the Vuntut Gwitchin First Nation and ATCO subsidiary, Canadian Utilities announced the completion of Canada's most northerly off-grid solar project, reducing diesel use by 189,000 litres annually in Old Crow, Yukon and providing a clean energy source for decades to come.

This project showcases a first-of-its-kind Electricity Purchase Agreement. Vuntut Gwitchin will serve as the Independent Power Producer, owner and operator of the solar facility and ATCO Electric Yukon will purchase the solar electricity generated for the next 25 years and feed it into the grid for redistribution to the community.

Old Crow Solar Project - Old Crow, Yukon

This facility, similar to the Fort Chipewyan Solar Farm in Northern Alberta, fosters community ownership and self-sustaining economic development through job creation, investment in infrastructure, and revenue from the sale of renewable energy.

Energy projects like this are models of effective collaboration to enable and accelerate the clean energy transition. The Company intends to replicate its success with many of the other Northern Communities reliant on diesel power.

UTILITIES REGULATORY INFORMATION

UTILITIES REGULATORY FRAMEWORKS

Regulated Business Models

The business operations of Electricity Distribution, Electricity Transmission, Natural Gas Distribution and Natural Gas Transmission are regulated mainly by the Alberta Utilities Commission (AUC). The AUC administers acts and regulations covering such matters as rates, financing and service area.

Natural Gas Transmission and Electricity Transmission operate under cost of service (COS) regulation. Under this model, the regulator establishes the revenues to provide for a fair return on utility investment using mid-year calculations of the total investment less depreciation, otherwise known as mid-year rate base. Growth in mid-year rate base is a leading indicator of the business' earnings trend, depending on changes in the approved equity component of the mid-year rate base and the rate of return on common equity.

Natural Gas Distribution and Electricity Distribution operate under performance-based regulation (PBR). Under PBR, revenue is determined by a formula that adjusts customer rates for inflation less an estimated amount for productivity improvements. The AUC reviews the utilities' results annually to ensure the rate of return on common equity is within certain upper and lower boundaries. To do these calculations, the AUC uses mid-year rate base. For this reason, growth in mid-year rate base can be a leading indicator of the business' earnings trend, depending on the ability of the business to maintain costs based on approved going-in rates and on the formula that adjusts rates for inflation and productivity improvements.

International Natural Gas Distribution is regulated mainly by the Economic Regulation Authority (ERA) of Western Australia. International Natural Gas Distribution operates under incentive based regulation (IBR) under which the ERA establishes the prices for a five-year period to recover a return on forecasted rate base, including income taxes, depreciation on the forecasted rate base, and forecasted operating costs based on forecasted throughput. For this reason, growth in mid-year rate base can be a leading indicator of the business' earnings trend, depending on the ability of the business to maintain costs within approved forecasts.

Generic Cost of Capital Proceeding (GCOC)

In August 2018, the AUC issued a decision approving a Return on Equity (ROE) of 8.5 per cent and capital structure of 37 per cent equity for the 2018, 2019 and 2020 periods for all Alberta Utilities. On October 13, 2020 and March 4, 2021, the AUC issued the decisions for 2021 and 2022, respectively, approving the extension of the current ROE of 8.5 per cent and capital structure of 37 per cent equity on a final basis. The AUC commenced a new GCOC process in January 2022 to address the ROE and equity thickness for 2023 and beyond.

Performance Based Regulation

Under the 2018 to 2022 second generation PBR framework, electricity and natural gas distribution utility rates are adjusted by a formula that estimates annual inflation and assumes productivity improvements.

	PBR Second Generation
Timeframe	2018 to 2022
Inflation Adjuster (I Factor)	Inflation indices (AWE and CPI) adjusted annually
Productivity Adjuster (X Factor)	0.30%
O&M	Based on the lowest annual actual O&M level during 2013-2016, adjusted for inflation, growth and productivity to 2017 dollars; inflated by I-X thereafter over the PBR term
Treatment of Capital Costs	• Recovered through going-in rates inflated by I-X and a K Bar that is based on inflation adjusted average historical capital costs for the period 2013-2016. The K Bar is calculated annually and adjusted for the actual weighted average cost of capital (WACC) • Significant capital costs that are extraordinary, not previously incurred and required by a third party recovered through a "Type I" K Factor
ROE Used for Going-in Rates	• 8.5% • + 0.5% ROE ECM achieved from PBR First Generation added to 2018 and 2019
Efficiency Carry-over Mechanism (ECM)	ECM up to 0.5% additional ROE for the years 2023 and 2024 based on certain criteria
Reopener	+/- 300 bps of the approved ROE for two consecutive years or +/- 500 bps of the approved ROE for any single year
ROE Used for Reopener Calculation	• 2018: 8.5% excluding impact of ECM • 2019: 8.5% excluding impact of ECM • 2020 - 2022: 8.5%

Access Arrangement - International Natural Gas Distribution

On November 15, 2019, the ERA published its final rate of return guidelines which outlined the parameters for the WACC applicable to International Natural Gas Distribution's Access Arrangement period (AA5).

The AA5 ROE is 5.02 per cent compared to 7.21 per cent in the previous Access Arrangement. The final decision also includes rebasing of revenues for the recovery of operating costs, the approved capital expenditure program, and the forecast of demand and throughput. The common equity ratio for AA5 is 45 per cent compared to 40 per cent in the previous Access Arrangement.

The tariffs included in the AA5 final decision are applicable for the period January 1, 2020 to December 31, 2024.

Under the existing Access Arrangement, ATCO Gas Australia is using the Post-Tax Revenue Model method to determine revenue requirement and customer rates. Under this method, the impact of inflation is added to the rate base annually. The inflation impact is reflected in customer rates in future periods through the recovery of depreciation. Customer rates are adjusted annually through a mechanism, which adjusts the approved rates in real dollars for actual inflation.

ALBERTA REGULATORY UPDATES

Common Matters

2021 Rate Relief Application

On March 1, 2021, ATCO filed a 2021 Rate Relief Application for Electricity Distribution and Natural Gas Distribution to postpone rate increases for the full year 2021 and collect the deferred amounts commencing in 2023 for no more than a 5-year period. On June 18, 2021, the AUC issued a decision approving the requested rate relief, but directed ATCO to collect the 2021 deferred amounts commencing January 1, 2022, over a short duration, without exceeding a prescribed maximum increase in any year during the collection process. ATCO filed its 2022 PBR Rates applications on September 10, 2021, requesting recovery over the years 2022 and 2023 for Electricity Distribution and full recovery in 2022 for Natural Gas Distribution. The AUC issued its decisions in December 2021, approving the 2022 PBR rates for Electricity Distribution and Natural Gas Distribution as filed.

Distribution Regulatory Framework - Post 2022

On June 18, 2021, the AUC issued a decision providing direction regarding the 2023 COS application process. Each distribution utility is to present its application using an AUC-developed template with a prescribed minimum level of detail. On November 15, 2021, Electricity Distribution filed a 2023 COS application requesting, among other things, approval of a new grid modernization capital program to ensure that the grid can safely and reliably accommodate changing customer behaviours associated with decarbonization. On December 15, 2021, Natural Gas Distribution filed a 2023 COS application which includes a request for approval of a new capital program for the introduction of hydrogen into its distribution system in order to meet government-mandated net-zero emissions targets. Decisions from the AUC are expected in the third quarter of 2022.

On June 30, 2021, the AUC issued a decision relating to the Evaluation of Performance-Based Regulation in Alberta. The Commission determined that PBR has achieved many of the set principle objectives and that a third PBR term (PBR3) will commence in 2024 after a one year COS rebasing in 2023. A future generic proceeding will be initiated in the third quarter of 2022 to determine the parameters of the third generation PBR plan, including a review of incremental capital funding provisions, the inflation (I) and productivity (X) factors, and consideration of an earnings sharing mechanism.

Electricity Transmission

2020-2022 General Tariff Application (GTA)

In October 2019, Electricity Transmission filed a GTA for its operations for 2020, 2021, and 2022. The decision was received in March 2021 approving the vast majority of requested capital expenditures and operating costs, as filed. Electricity Transmission filed its compliance filing on April 19, 2021 and on September 1, 2021, the AUC issued a decision which determined Electricity Transmission's final revenue requirement for 2020 and 2021. The impact to 2021 adjusted earnings as a result of this decision included a decrease of $2 million, all of which relates to prior periods.

2018-2019 General Tariff Application

On June 29, 2021, the AUC issued a decision on the 2018-2019 GTA Compliance Filing which determined Electricity Transmission's final revenue requirement for 2018 and 2019. The impact of this decision is a decrease to 2021 adjusted earnings of $4 million, all of which relates to prior periods.

Application of AUC Enforcement Staff for the Commencement of Proceeding Pursuant to Sections 8 and 63 of the Alberta Utilities Commission Act

On November 29, 2021, the AUC enforcement branch filed an application with the AUC recommending an enforcement proceeding be initiated. This proceeding is to determine whether ATCO Electric failed to comply with AUC decisions and enactments under the AUC's jurisdiction with respect to the sole source contract for the Jasper interconnection project and the actions leading up to and including the filing of the 2018-2020 Deferral Account Application. This proceeding will also determine any future remedies that may be required.

AUC Enforcement and Electricity Transmission are pursuing settlement discussions prior to the AUC determining the next process steps. In 2021, the Company recognized expenses of $7 million (after-tax and NCI) due to the potential outcome of the proceeding. As this proceeding is not in the normal course of business, these costs have been excluded from adjusted earnings.

Natural Gas Transmission

Pioneer Pipeline Acquisition

In the third quarter of 2020, Natural Gas Transmission entered into an agreement to acquire the Pioneer Pipeline from Tidewater Midstream & Infrastructure Ltd. and its partner TransAlta Corporation, subject to customary conditions including regulatory approvals by the AUC and Alberta Energy Regulator.

The 131-km natural gas pipeline runs from the Drayton Valley area to the Wabamun area west of Edmonton. On June 15, 2021, the AUC issued a decision approving the acquisition of the pipeline and associated integration costs, totaling $265 million, and the corresponding revenue requirement for 2021 to be included in Natural Gas Transmission's rates.

Consistent with the geographic areas defined in the Integration Agreement, Natural Gas Transmission will transfer to Nova Gas Transmission Ltd. (NGTL) the 30-km segment of pipeline that is located in the NGTL footprint for approximately $65 million.

The transaction to acquire the Pioneer Pipeline closed in 2021. The transfer to NGTL received approval from the Canada Energy Regulator on December 22, 2021, and is expected to close in the first quarter of 2022. The Pioneer Pipeline has been incorporated into NGTL's and ATCO's Alberta regulated natural gas transmission systems to provide reliable natural gas supply to TransAlta's power generating units at Sundance and Keephills, facilitating the conversion of these coal plants to cleaner-burning natural gas.

Natural Gas Transmission 2021-2023 General Rate Application (GRA)

In June 2020, Natural Gas Transmission filed a GRA for the period 2021-2023. An AUC decision was received in March 2021, approving the vast majority of requested capital expenditures and operating costs as filed, which included operating cost efficiencies implemented in prior periods that are being passed on to customers. On June 15, 2021, the AUC approved the acquisition of the Pioneer Pipeline including the associated integrated costs. On January 12, 2022, the AUC approved Natural Gas Transmission’s application reflecting the acquisition of Pioneer Pipeline in its 2021-2023 revenue requirement.

ENERGY INFRASTRUCTURE

REVENUES

Energy Infrastructure revenues of $74 million and $209 million in the fourth quarter and full year of 2021 were $15 million and $14 million higher than the same periods in 2020 mainly due to higher natural gas prices at the Carbon, Alberta natural gas storage facility.

ADJUSTED EARNINGS

	Three Months Ended December 31			Year Ended December 31		
($ millions)	**2021**	**2020**	**Change**	**2021**	**2020**	**Change**
Electricity Generation [1]	**—**	2	(2)	**7**	7	—
Storage & Industrial Water [1]	**2**	5	(3)	**8**	8	—
Total Energy Infrastructure	**2**	7	(5)	**15**	15	—

(1) Additional information regarding these Non-GAAP measures is provided in the Other Financial and Non-GAAP Measures section of this MD&A.

Energy Infrastructure adjusted earnings of $2 million in the fourth quarter of 2021 were $5 million lower than the same period in 2020 mainly due to the costs associated with the purchase of the Alberta Hub natural gas storage facility, Central West Pumped Hydro development costs, non-recurring recoveries in 2020, and lower demand for natural gas storage services.

Energy Infrastructure adjusted earnings of $15 million in the full year of 2021 were comparable to the same period in 2020.

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

Electricity Generation

Non-regulated electricity activities include the supply of electricity from solar, hydroelectric, and natural gas generating plants in Western Canada, Australia, Mexico, and Chile and non-regulated electricity transmission in Alberta.

Electricity Generation adjusted earnings in the fourth quarter of 2021 were $2 million lower compared to the same period in 2020. Lower earnings were mainly due to Central West Pumped Hydro development costs, and non-recurring recoveries in 2020.

Electricity Generation adjusted earnings of $7 million in the full year of 2021 were comparable to the same period in 2020.

Storage & Industrial Water

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

Storage & Industrial Water adjusted earnings of $2 million in the fourth quarter of 2021 were $3 million lower compared to the same period in 2020 mainly due to costs associated with the purchase of the Alberta Hub natural gas storage facility and lower demand for natural gas storage services.

Storage & Industrial Water adjusted earnings of $8 million in the full year of 2021 were comparable to the same period in 2020.

ENERGY INFRASTRUCTURE RECENT DEVELOPMENTS THROUGHOUT 2021

Alberta Hub Natural Gas Storage Acquisition

In December 2021, Canadian Utilities announced the acquisition of the Alberta Hub natural gas storage facility near Edson, Alberta. The Alberta Hub underground natural gas storage facility has a capacity of approximately 49 petajoules and is connected to the NOVA Gas Transmission (NGTL) system. Complementing our existing natural gas storage facility at Carbon, Alberta, the Alberta Hub facility will provide customized storage solutions tailored to our customers' needs.

Calgary Solar Development Projects

In September 2021, Canadian Utilities announced that it had acquired the development rights to build two solar projects, the Deerfoot and Barlow projects in Calgary Alberta, with a combined capacity of 64-MW. Electricity from these solar projects may be sold through a contracted Power Purchase Agreement with any uncontracted electricity sold into the Alberta power market. The projects will be the largest urban solar developments in Western Canada and will provide enough renewable electricity to power more than 18,000 homes. The Barlow and Deerfoot projects have received all major permits. Detailed design and procurement for both projects has begun and commercial operations are expected to commence in the fourth quarter of 2022.

Rendering of Deerfoot Solar Development Project - Calgary, AB

Empress Solar Development Project

In September 2021, Canadian Utilities announced that it had acquired the rights to the Empress Solar project, a 39-MW solar facility under development near Empress, Alberta. Electricity from this solar project may be sold through a contracted Power Purchase Agreement with any uncontracted electricity sold into the Alberta power market. The project will provide enough renewable electricity to power more than 11,000 homes. Project execution is underway with all major permits received. Commercial operations are expected to commence in the fourth quarter of 2022.

Two Hills Renewable Natural Gas (RNG) Facility

In July 2021, Canadian Utilities announced its partnership with Future Fuel Ltd. to build and operate the Two Hills RNG facility north of Vegreville, Alberta. The RNG facility will combine organic waste from nearby municipalities with agricultural byproducts to produce approximately 230,000 gigajoules per year of renewable natural gas (enough to fuel 2,500 homes). Detailed design is currently underway and the facility is targeting to commence commercial operations in the fourth quarter of 2022.

The RNG produced will be delivered into the local gas distribution network and sold under a 15-year sales contract between Pacific Northern Gas Ltd. (PNG) and ATCO Future Fuel RNG Limited Partnership (ATCO Future Fuel).

Two Hills Renewable Natural Gas (RNG) Facility - Vegreville, AB

Canadian Utilities - Suncor Clean Hydrogen Project

In May 2021, Canadian Utilities and Suncor Energy announced the decision to collaborate on early stage design and engineering of a potential clean hydrogen project. The project will produce more than 300,000 tonnes per year of clean hydrogen, while capturing greater than 90 per cent of the carbon emissions, reducing Alberta's carbon dioxide emissions by more than two million tonnes per year. The hydrogen production facility will be located at ATCO's Heartland Energy Centre near Fort Saskatchewan, Alberta, and is expected to be operational as early as 2028. Although several provincial and federal policies, fiscal programs and regulations have already been put in place to support significant decarbonization and the development of a leading low-carbon fuels industry, further regulatory certainty and fiscal support is required for the project to progress to a sanctioning decision (which is expected in 2024). In addition to supplying clean hydrogen to Suncor and the Alberta gas grid, the project will make hydrogen volumes available for Alberta's other industrial, municipal and commercial transport users.

Clean Energy Innovation Park

In May 2021, Canadian Utilities and its joint venture partner, Australian Gas Infrastructure Group, received notification of $29 million AUD in conditional funding from the Australian Renewable Energy Agency (ARENA) to kick start the production of hydrogen through a large scale project at Canadian Utilities' proposed Clean Energy Innovation Park (CEIP) in Western Australia. The proposed project will leverage Canadian Utilities' learnings from its Clean Energy Innovation Hub, a pilot project which saw the company become the first in Australia to generate and use green hydrogen. The CEIP will include a 10-MW electrolyser and plant capable of producing up to four tonnes of hydrogen per day, along with storage and delivery to gas network injection points. The facility is planned to be co-located with a 180-MW wind farm in Western Australia, which will provide the renewable energy to power the electrolyser. A final investment decision for this project is expected in the first half of 2022.

Chile Solar Generation Facility

In 2019, Canadian Utilities entered into a partnership with Impulso Capital, a Chilean developer, to build and operate the El Resplandor solar project. This project, located in Cabrero, Chile, provides solar energy to the Chilean electricity grid. The 3-MW of solar generation capacity was completed at the end of the second quarter of 2020 for a total investment of $4 million. In the second quarter of 2021, Canadian Utilities made the decision to cancel the remaining planned 6-MW of the project due to land zoning concerns.

Central West Pumped Storage Hydro Project

In February 2021, ATCO announced an agreement to acquire the rights to develop the 325-MW Central West Pumped Storage Hydro project, located approximately 175-km west of Sydney, Australia. The acquisition marks ATCO's first renewable energy investment on Australia’s east coast. The project is in close proximity to significant renewable energy resources and will be integral in supporting the development of new renewable generation capacity in the state of New South Wales. A final investment decision on project construction is expected in 2023.

CANADIAN UTILITIES CORPORATE & OTHER

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

ADJUSTED EARNINGS

	Three Months Ended December 31			Year Ended December 31		
($ millions)	**2021**	**2020**	**Change**	**2021**	**2020**	**Change**
Canadian Utilities Corporate & Other	**(10)**	(11)	1	**(41)**	(40)	(1)

Canadian Utilities' Corporate & Other adjusted earnings in the fourth quarter of 2021 were $1 million higher compared to the same period in 2020 mainly due to the timing of certain expenses and improved earnings from ATCOenergy resulting from increased commodity margins.

Canadian Utilities' Corporate & Other adjusted earnings in the full year of 2021 were $1 million lower compared to the same period in 2020 mainly due to lower bank interest income from lower rates and lower cash balances, partially offset by improved earnings from ATCOenergy resulting from increased commodity margins.

CANADIAN UTILITIES CORPORATE & OTHER RECENT DEVELOPMENTS THROUGHOUT 2021

Rümi Launch

On June 3, 2021, Canadian Utilities launched Rümi, a solutions provider for home and business owners, offering lifestyle products, home maintenance services and professional advice for homeowners. Rümi currently offers approximately 60 services in Edmonton and Calgary, and more than 750 products for purchase online.

Executive Appointment

On October 6, 2021, the Canadian Utilities Board of Directors announced the appointment of Brian Shkrobot to the position of Executive Vice President & Chief Financial Officer of Canadian Utilities Limited.

New Board of Directors Appointee

Effective September 1, 2021, Robert Hanf, Q.C. was appointed to the Board of Directors for Canadian Utilities Limited.

SUSTAINABILITY, CLIMATE CHANGE AND ENERGY TRANSITION

Within our group of companies, we balance the short- and long-term economic, environmental and social considerations of our businesses while creating value for our customers, employees, share owners, and Indigenous and community partners. As a provider of essential services in diverse communities around the world, we operate in an inclusive manner to meet the needs of society today and for generations to come while consistently delivering safe, reliable and affordable services.

Sustainability Reporting and ESG Targets

Our 2021 Sustainability Report, which will be published in May 2022, will focus on the following material topics:

- Energy Transition - energy transition and innovation, and energy access and affordability;
- Climate Change and Environmental Stewardship - climate change and GHG emissions, and environmental stewardship;
- Operational Reliability and Resilience - system reliability and availability, emergency preparedness and response, and supply chain resilience and responsibility;
- People - diversity, equity and inclusion, occupational health and safety, public health and safety; and
- Community and Indigenous Relations - Indigenous engagement, economic opportunity and reconciliation, and community engagement and investment.

In January 2022, we released our net zero by 2050 commitment as well as an initial set of 2030 ESG Targets. Our Board of Directors recognizes and fully supports our net-zero commitment and 2030 targets, and agrees that these commitments and targets align with our strategic direction. More detailed information and progress towards these targets will be found in the 2021 Sustainability Report. Achieving net zero by 2050 is a societal challenge that no individual, business, or government can solve on its own. It will require unprecedented collaboration among all constituents, as well as an informed, pragmatic, and affordable roadmap from policymakers to unlock the necessary scale and pace of private sector investment and expertise.

The Sustainability Report is based upon the internationally recognized Global Reporting Initiative (GRI) Standards. Our reporting is also guided by the Sustainability Accounting Standards Board (SASB) and the Financial Stability Board's Task Force on Climate-related Financial Disclosures' (TCFD) recommendations.

The 2021 Sustainability Report, Sustainability Framework Reference Document, Corporate Governance, materiality assessment, and additional details and other disclosures will be available on our website at www.atco.com.

Climate Change and Energy Transition

To contribute to a net-zero future, we continue to pursue initiatives to integrate cleaner fuels, renewable energy and energy storage. This includes looking at ways to modernize our energy infrastructure to accommodate new and innovative sources of energy as well as ways to further use energy more efficiently. We are decarbonizing our operations and enabling our customers to transition to lower emitting sources of energy, while maintaining safety, reliability and affordability.

POLICY/REGULATORY UPDATE

We actively and constructively work with all levels of government to advocate for enabling policy and regulation, and to identify barriers that impede cost-effective, economy-wide decarbonization. We participate in a wide number of discussions, and the following are examples of where we are focusing our efforts.

Carbon Pricing/Output-Based Pricing Systems

In April 2021, the carbon price in Canada increased from $30 to $40 per tonne, and by 2022 it is expected to reach $50 per tonne. In December 2020, the Government of Canada announced their plan on climate change, proposing to increase the carbon price by $15 per tonne each year starting in 2023, rising to $170 per tonne by 2030.

In December 2021, the Government of Alberta, confirmed that the Technology, Innovation and Emissions Reduction (TIER) regulation will increase from $40 per tonne in 2021 to $50 per tonne in 2022, meeting the federal government's stringency requirements for the emission sources they cover. Accordingly, the federal fuel charge continues to apply in Alberta, but not the federal Output-Based Pricing System. In the future, as carbon price increases and new updated initiatives are put in place by the federal government, TIER will also need to be updated to meet the federal government's stringency requirements.

In Australia, under the National Greenhouse and Energy Reporting scheme, a safeguard mechanism applies to facilities with direct covered emissions of more than 100,000 tonnes of carbon dioxide equivalent per year and affects our natural gas-fired power generation facilities. These facilities are required to keep their net emissions at or below emissions baselines set by the Clean Energy Regulator or surrender Australia Carbon Credit Units to offset their emissions and stay below their baseline.

Net-Zero Emissions Accountability Act

On June 29, 2021, the Net-Zero Emissions Accountability Act came into effect outlining the Government of Canada’s commitment to achieve net-zero GHG emissions by 2050, as well as a 2030 target under the Paris Agreement to reduce GHG emissions by 40 to 45 per cent from 2005 levels. The Act establishes a legally binding process to set five-year national emissions-reduction targets, with the 2030 plan due by the end of March 2022. The Act also requires national emissions reduction targets for 2035, 2040, and 2045, ten years in advance, with credible, science-based emissions reduction plans to achieve it.

The Government of Canada is currently consulting on initiatives in early 2022 as part of their commitments to the emission-reduction targets. If these initiatives move forward, it may create both opportunities and challenges directly and indirectly for ATCO. Some of these initiatives include: transitioning to a net-zero emitting electricity grid by 2035; developing emission standards for different categories of vehicles and mandating a percentage of zero emission vehicles by specific dates; capping emissions from the oil and gas sector at current levels and declining at the pace to get to net zero by 2050; and developing a plan to reduce methane emissions across the broader Canadian economy in support of the Global Methane Pledge and Canada’s climate plan goals to reduce oil and gas methane emissions by at least 75 percent below 2012 levels by 2030.

Methane Reductions

In December 2020, Alberta reached equivalency with federal methane regulations to reduce methane emissions by 40 to 45 per cent from 2012 levels by 2025. Canadian Utilities continues to implement programs to reduce or eliminate fugitive and venting emissions in our Natural Gas Transmission and Distribution businesses.

In January 2020, a new estimation method to report Unaccounted for Gas (UAFG) emissions resulting from natural gas distribution activities was introduced in Australia. This approach enables site/network specific UAFG values to be used, allowing Canadian Utilities to translate network maintenance and replacement activities into reportable reductions in UAFG emissions.

Clean Fuel Standards

In July 2021, the Government of Canada announced that the scope of the Clean Fuel Standards (CFS) was further refined to cover only gasoline and diesel liquid fossil fuels used predominately in transportation (with an exemption for diesel used in space heating). The regulations are expected to come into effect in late 2022.

Hydrogen Roadmap

In December 2020, the Government of Canada released their Hydrogen Strategy for Canada. In November 2021, the Government of Alberta released the Alberta Hydrogen Roadmap outlining the Government's approach to developing hydrogen use and production in Alberta. The Hydrogen Roadmap is an action plan that integrates hydrogen with the province's existing energy infrastructure. It is a key part of Alberta's Recovery Plan and will be implemented in a phased approach. In the first phase, Alberta will establish policy foundations, close technology gaps with research and innovation, reduce the carbon intensity of existing hydrogen production, and deploy clean hydrogen into end-use markets. The second phase will focus on growth and commercialization. These actions will be implemented by working closely with partner agencies, federal, provincial and municipal governments, industries and other key partners and stakeholders.

ENERGY TRANSITION HIGHLIGHTS

To support the energy transition, we continue to explore and implement opportunities in cleaner fuels, renewable energy, energy infrastructure and storage, and energy efficiency. We intend to expand our ownership, management and development of clean energy solutions, as well as enable our customers to transition to lower-emitting sources of energy.

Renewable Energy

ATCO continues to build its renewable energy portfolio and enable customers to integrate renewable energy options. Renewable energy initiatives are discussed in the "Business Unit Performance" section, under the "Utilities" and "Energy Infrastructure" sections in this MD&A, and include the examples highlighted below.

In February 2021, ATCO subsidiary, Canadian Utilities acquired the rights to develop the 325-MW Central West Pumped Storage Hydro project, located approximately 175-km west of Sydney, Australia. The project is in close proximity to significant renewable energy resources and will be integral in supporting the development of new renewable generation capacity in the state of New South Wales.

In August 2021, the Vuntut Gwitchin First Nation and ATCO subsidiary, Canadian Utilities completed Canada's most northerly off-grid solar project, reducing diesel use by 189,000 litres annually in Old Crow, Yukon and providing the community with clean energy for decades to come.

In September 2021, ATCO subsidiary, Canadian Utilities acquired the rights to the Empress Solar Project, a 39-MW photovoltaic solar facility under development near the village of Empress, Alberta. Canadian Utilities also acquired the rights to build two solar installations in Calgary. Once complete, the Barlow and Deerfoot solar projects will be the largest solar installation in a major urban centre in Western Canada, with a combined capacity of 64-MW.

Cleaner Fuels

ATCO continues to pursue opportunities in cleaner fuels including RNG and hydrogen, and below are examples that are included in the "Business Unit Performance - Energy Infrastructure" section in this MD&A.

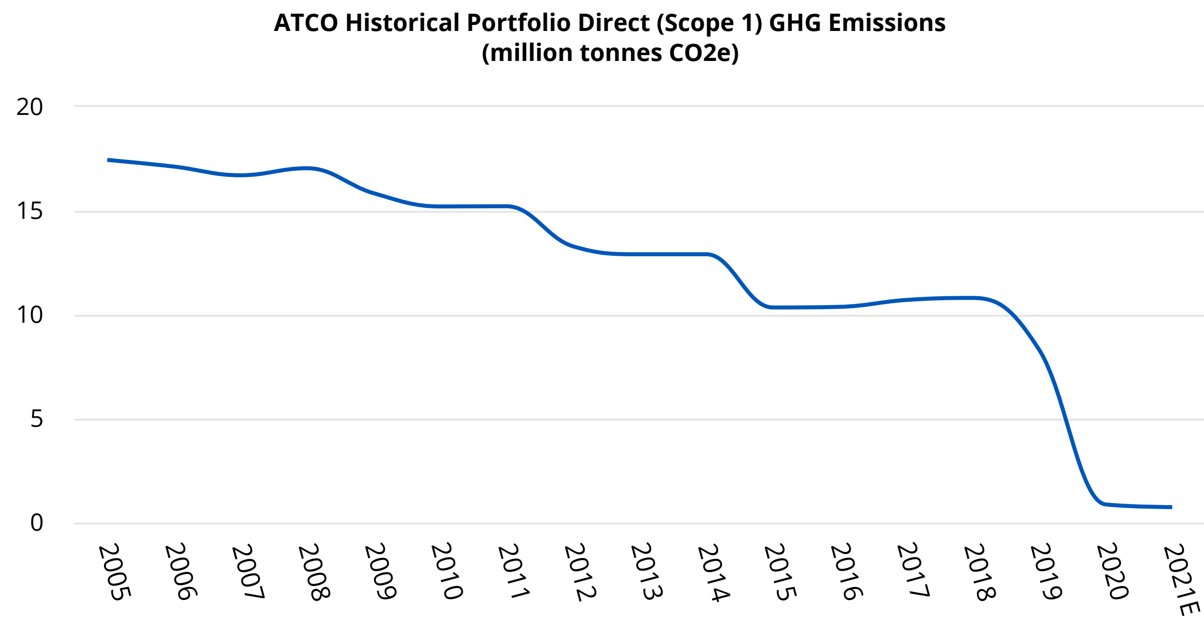
Building on our hydrogen blending project in Fort Saskatchewan, in May 2021 Canadian Utilities and Suncor Energy announced the decision to collaborate on early stage design and engineering of a potential clean hydrogen project. The project will produce more than 300,000 tons per year of clean hydrogen, while capturing greater than 90 per cent of the carbon emissions, reducing Alberta's carbon dioxide emissions by more than two million tons per year.

In May 2021, Canadian Utilities and its joint venture partner, Australian Gas Infrastructure Group, received notification of conditional grant funding from Australian Renewable Energy Agency of $29 million AUD to contribute financing for the production of hydrogen through a large scale project at Canadian Utilities' proposed Clean Energy Innovation Park in Western Australia. The proposed project will leverage Canadian Utilities' learnings from its Clean Energy Innovation Hub, a pilot project which saw the company become the first in Australia to generate and use green hydrogen.

In July 2021, ATCO subsidiary Canadian Utilities partnered with Future Fuel Ltd. to build and operate a RNG facility in Alberta with Emissions Reduction Alberta committing $8 million to the project through its Natural Gas Challenge. Located north of Vegreville, Alberta, the Two Hills RNG Facility is Canadian Utilities' first commercial RNG production facility and a strategic investment in ATCO's clean fuels strategy. Detailed design is currently underway and full commercial operation is expected to be achieved in late 2022.

Our Performance

As our portfolio of assets and businesses evolves, so too does our environmental footprint. Since 2005, we have significantly decarbonized our portfolio through a combination of asset sales, implementation of fuel-switching, GHG reduction initiatives and other efficiency programs.



**This graph represents historical portfolio direct GHG emissions, and therefore includes data from assets that were later sold/divested.*

Our 2021 estimated direct (Scope 1) GHG emissions are 0.74 million tonnes CO2e. Final 2021 direct GHG emissions data will be available in our Sustainability Report, which will be released in May 2022.

CLIMATE CHANGE RESILIENCY

We carefully manage climate-related risks, including preparing for, and responding to, extreme weather events through activities such as proactive route and site selection, asset hardening, regular maintenance, and insurance. The Company follows regulated engineering codes and continues to evaluate ways to create greater system reliability and resiliency. When planning for capital investment or acquiring assets we consider site specific climate and weather factors, such as flood plain mapping and extreme weather history.

In Canadian Utilities' Electricity Transmission and Distribution operations, grid resiliency initiatives focus on prevention, protection, and reaction. Prevention includes minimizing operational risks and ensuring system adequacy through system planning and coordination. Protection is focused on improving grid resiliency through activities such as retrofitting and vegetation management to reduce incidents that result in outages. Wildfire Management Plans include requirements to conduct annual patrols of all transmission power lines in forest protection areas. Finally, we look to restore services in the shortest possible timeframe through grid modernization, adequate contingency planning and dispatch.

In Canadian Utilities' Natural Gas Transmission and Distribution businesses, the majority of the pipeline network is underground, making it less susceptible to extreme weather events. We work with regulators to increase resiliency where appropriate through asset improvement projects. We have also mapped and continue to regularly inspect pipeline water crossings.

In our Structures and Logistics activities, we look to leverage our expertise to produce high-efficiency structures in response to evolving building codes. Our modular housing units are built in factories, which reduces our emissions and environmental impact. In addition, the availability of deployable modular housing and logistical services can be an important asset when extreme weather events occur around the world.

We have streamlined our Crisis Response and Emergency Preparedness systems, and we continuously improve our ability to rapidly mobilize and effectively respond to crises globally. We incorporate learnings from responding to extreme weather events which enables us to continue to strengthen our emergency response capabilities.

CLIMATE CHANGE CHALLENGES AND OPPORTUNITIES

While climate-related challenges and opportunities are integrated throughout our strategy and risk management processes, we understand that specifically disclosing climate-related information aligned with the TCFD recommendations is also useful for the investment community.

In addition to the material risks described in the Business Risks and Risk Management section of this MD&A, the following table provides further information on how we address specific climate-related challenges and opportunities.

Category/Driver		Challenges	Opportunities	Mitigation Options/ Measures
Transitional	**Policy/Regulatory**	Operations in several jurisdictions subject to emissions limiting regulations Aggressive shifts in policy which do not allow for transition in an effective, affordable manner	Continued fuel switching to lower-emitting options Coal-to-gas electricity generation conversions by other companies present opportunities for increased demand for natural gas transmission infrastructure investment in the near to medium term Electricity grid modernization Hydrogen economy development	Active participation in policy development, industry groups, and regulatory discussions Business diversification Removal of coal-fired electricity generation from our portfolio in 2019 Hydrogen research and development
Transitional	**Market**	Changes in carbon policy, costs of operations, and commodity prices Changing customer behaviour	Increasing demand for lower-emitting technologies Hydrogen market development Distributed energy solutions	Participation in carbon markets Business diversification Removal of coal-fired electricity generation from our portfolio in 2019
Transitional	**Technology**	Replacement of current products/services with lower-emitting options Prosumer movement may affect energy load profiles in the future	A transition to lower-emitting energy systems provides opportunities to utilize expertise in: generation, integration and delivery of new energy sources including hydrogen, renewable natural gas, EV networks; and transmission and distribution infrastructure to ensure energy network reliability and security	Providing a suite of lower-emitting technology solutions so our customers can pick the right solutions for their unique situation
Transitional	**Reputational**	Public perception of carbon risk	Increase in demand for trusted long-term partners to deliver lower-emitting solutions	Transparent reporting Authentic engagement and collaboration
Physical	**Physical**	Extreme weather events Long-term changes in temperature and weather patterns	Climate change mitigation and adaptation Rapidly deployable structures and logistics services	Climate change resiliency efforts Emergency Response & Preparedness plans and training

OTHER EXPENSES AND INCOME

A financial summary of other consolidated expenses and income items for the fourth quarter and full year of 2021 and 2020 is given below. These amounts are presented in accordance with IFRS accounting standards. They have not been adjusted for the timing of revenues and expenses associated with rate-regulated activities and other items that are not in the normal course of business.

	Three Months Ended December 31			Year Ended December 31		
($ millions)	**2021**	**2020**	**Change**	**2021**	**2020**	**Change**
Operating costs	**765**	631	134	**2,607**	2,254	353
Depreciation, amortization and impairment	**156**	174	(18)	**717**	669	48
Earnings from investment in associate company	**3**	7	(4)	**13**	15	(2)
Earnings from investment in joint ventures	**23**	13	10	**62**	34	28
Net finance costs	**118**	104	14	**423**	407	16
Income tax expense	**68**	38	30	**148**	166	(18)

OPERATING COSTS

Operating costs, which are total costs and expenses less depreciation, amortization and impairment, increased by $134 million in the fourth quarter of 2021 compared to the same period in 2020. Higher operating costs were mainly due to higher flow-through electricity costs in ATCOenergy, higher flow-through natural gas transmission costs, higher materials costs in ATCO Structures from increased activity on workforce housing projects, and the inclusion of ATCO Sabinco costs due to acquisition of the remaining 50 per cent ownership interest at the end of 2020. Higher operating costs were partially offset by lower materials costs from the completion of manufacturing activities for the LNG Canada Cedar Valley Lodge project in 2020.

Operating costs increased by $353 million for the full year of 2021 compared to the same period in 2020. Higher operating costs were mainly due to higher flow-through electricity costs in ATCOenergy, higher flow-through natural gas transmission costs, higher materials costs in ATCO Structures from increased activity on workforce housing projects, the inclusion of ATCO Sabinco costs due to acquisition of the remaining 50 per cent ownership interest at the end of 2020, and higher unrealized and realized losses on derivative financial instruments. Higher operating costs were partially offset by lower materials costs from the completion of manufacturing activities for the LNG Canada Cedar Valley Lodge project in 2020.

DEPRECIATION, AMORTIZATION AND IMPAIRMENT

Depreciation, amortization and impairment decreased by $18 million in the fourth quarter of 2021 compared to the same period in 2020 mainly due to project cost recoveries related to the conclusion of an international project, partially offset by higher depreciation in Electricity Transmission as a result of a project cancellation.

Depreciation, amortization and impairment increased by $48 million in the the full year of 2021 compared to the same period in 2020 mainly due to the second quarter 2021 impairment of assets in Canadian Utilities' Energy Infrastructure segment as part of the continued assessment of our assets, and ATCO Structures' acquisition of the remaining 50 per cent ownership interest of ATCO Sabinco in December 2020, which was previously accounted for as an equity investment.

EARNINGS FROM INVESTMENT IN ASSOCIATE COMPANY

Earnings from investment in associate company relate to our 40 per cent ownership interest in Neltume Ports, a leading port operator and developer based in South America with operations in 17 port facilities and 6 port operation services businesses located in Chile, Uruguay, Argentina, Brazil, and the US.

Earnings from investment in associate company in the fourth quarter and the full year of 2021 were $4 million and $2 million lower compared to the same periods in 2020. Lower earnings were mainly due to a gain on sale of equipment in the fourth quarter of 2020 and timing of certain revenue and expenses.

EARNINGS FROM INVESTMENT IN JOINT VENTURES

Earnings from investment in joint ventures is mainly comprised of Canadian Utilities' ownership positions in electricity generation plants, LUMA Energy electricity operations and maintenance in Puerto Rico, and the Strathcona Storage Limited Partnership, which operates hydrocarbon storage facilities at the ATCO Heartland Energy Centre near Fort Saskatchewan, Alberta.

Earnings from investment in joint ventures increased by $10 million in the fourth quarter of 2021 compared to the same period in 2020 mainly due to earnings from LUMA Energy related to the commencement on June 1, 2021 of the Supplemental Agreement to LUMA Energy's 15-year Operations and Maintenance Agreement.

Earnings from investment in joint ventures increased by $28 million in the full year of 2021 compared to the same period in 2020 mainly due to earnings from LUMA Energy related to ongoing transition work in the first half of 2021, and the commencement on June 1, 2021 of the Supplemental Agreement to LUMA Energy's 15-year Operations and Maintenance Agreement, partially offset by an impairment of an investment in Canadian Utilities' Energy Infrastructure segment as part of the continued assessment of our assets.

NET FINANCE COSTS

Net finance costs increased by $14 million and $16 million in the fourth quarter and full year of 2021 compared to the same periods in 2020 mainly due to recognition of accretion expense on asset retirement obligations related to an international project and lower interest income resulting from lower interest rates received on cash balances.

INCOME TAX EXPENSE

Income taxes were higher by $30 million in the fourth quarter of 2021 compared to the same period in 2020 mainly due to higher IFRS earnings before income taxes and a write down of deferred tax assets in ATCO Mexico.

Income taxes were lower by $18 million in the full year of 2021 compared to the same period in 2020 mainly due to lower IFRS earnings before income taxes, partially offset by a write down of deferred tax assets in ATCO Mexico.

LIQUIDITY AND CAPITAL RESOURCES

Our financial position is supported by our Regulated Utilities and our portfolio of energy infrastructure businesses, which are structured to be highly regulated and long-term contracted. Our business strategies, funding of operations, and planned future growth are supported by maintaining strong investment grade credit ratings and access to capital markets at competitive rates. Primary sources of capital are cash flow from operations and capital markets.

We consider it prudent to maintain enough liquidity to fund approximately one full year of cash requirements to preserve strong financial flexibility. Liquidity is generated by cash flow from operations and is supported by appropriate levels of cash and available committed credit facilities.

CREDIT RATINGS

Credit ratings are important to the Company's financing costs and ability to raise funds. The Company intends to maintain strong investment grade credit ratings in order to provide efficient and cost-effective access to funds required for operations and growth.

The following table shows the current credit ratings assigned to ATCO Ltd., Canadian Utilities Limited, CU Inc. and ATCO Gas Australia Pty. Ltd.

	DBRS	S&P
ATCO Ltd.		
Issuer	A (low)	A-
Canadian Utilities Limited		
Issuer	A	A-
Senior unsecured debt	A	BBB+
Commercial paper	R-1 (low)	A-1 (low)
Preferred shares	PFD-2 (high)	P-2
CU Inc.		
Issuer and senior unsecured debt	A (high)	A-
Commercial paper	R-1 (low)	A-1 (low)
Preferred shares	PFD-2 (high)	P-2
ATCO Gas Australia Pty Ltd. (1)		
Issuer and senior unsecured debt	N/A	BBB+

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

On August 31, 2021, S&P Global Ratings affirmed its 'A-' long-term issuer credit ratings and negative outlook on ATCO Ltd. and Canadian Utilities. On July 30, 2021, S&P Global Ratings affirmed ATCO subsidiary CU Inc.'s 'A-' long term issuer credit rating and stable outlook, reflecting S&P's view that CU Inc. is an insulated entity to ATCO Ltd. and Canadian Utilities.

On September 1, 2021, DBRS Limited affirmed its 'A (low)' long-term corporate credit rating and stable outlook on ATCO. On August 13, 2021, DBRS Limited affirmed its 'A' long-term corporate credit rating and stable outlook on ATCO subsidiary Canadian Utilities. On July 22, 2021, DBRS Limited affirmed its 'A (high)' long-term corporate credit rating and stable outlook on Canadian Utilities' subsidiary CU Inc.

LINES OF CREDIT

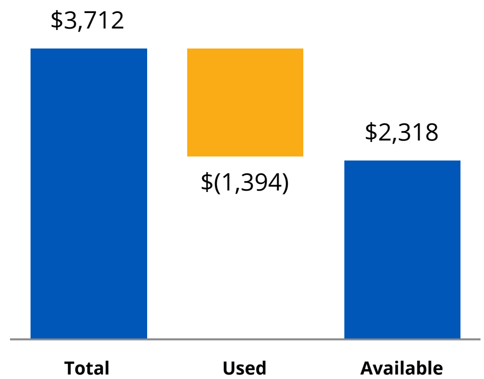
At December 31, 2021, ATCO and its subsidiaries had the following lines of credit.

($ millions)	**Total**	**Used**	**Available**
Long-term committed	**3,128**	1,208	1,920
Uncommitted	**584**	186	398
Total	**3,712**	1,394	2,318

Of the $3,712 million in total lines of credit, $584 million was in the form of uncommitted credit facilities with no set maturity date. The other $3,128 million in credit lines was committed, with maturities between 2023 and 2026, and may be extended at the option of the lenders.

Of the $1,394 million in lines of credit used, $626 million was related to ATCO Gas Australia Pty Ltd. Long-term committed credit lines are used to satisfy all of ATCO Gas Australia Pty Ltd.'s term debt financing needs. The majority of the remaining usage is for the issuance of Canadian Utilities' letters of credit and ATCO Structures & Logistics' funding to expand its global rental fleet and working capital needs on workforce housing projects.

Lines of Credit
($ millions)



Cash Flows from Operating Activities

Cash flows from operating activities were $542 million in the fourth quarter of 2021, $64 million higher compared to the same period in 2020 mainly due to higher cash flows in the Natural Gas Distribution business as a result of higher revenues.

Cash flows from operating activities were $1,864 million in the full year of 2021, $21 million higher compared to the same period in 2020 mainly due to higher customer contributions received for Alberta Utilities' capital expenditures, and higher cash flows generated in ATCO Structures' from the sale of used fleet. These amounts were partially offset by the Company's decision to provide rate relief to customers through the deferral of rate increases for Canadian Utilities' Electricity Distribution and Natural Gas Distribution businesses, which will be collected from customers starting in 2022.

Cash flows from operating activities in 2021 are adversely impacted as a result of ATCO's decision to provide rate relief to customers through the deferral of rate increases for Electricity Distribution and Natural Gas Distribution which will be collected from customers starting in 2022.

Cash Used for Capital Investment [1] and Capital Expenditures

Cash used for capital investment was $419 million in the fourth quarter of 2021, $121 million higher compared to the same period in 2020 mainly due to the acquisition of the Alberta Hub natural gas storage facility in Canadian Utilities' Energy Infrastructure segment and a strategic land purchase.

Cash used for capital expenditures was $327 million in the fourth quarter of 2021, $50 million higher compared to the same period in 2020 mainly due to a strategic land purchase.

Cash used for capital investment was $1,463 million in the full year of 2021, $394 million higher compared to the same period in 2020 mainly due to the acquisition of the Pioneer Pipeline in Canadian Utilities' Natural Gas Transmission business; the acquisition of the Alberta Hub natural gas storage facility, the acquisition of three solar development projects, and the construction of a long-term contracted hydrocarbon storage cavern in Canadian Utilities' Energy Infrastructure segment; and a strategic land purchase.

(1) Additional information regarding this non-GAAP measure is provided in the Other Financial and Non-GAAP Measures section of this MD&A.

Cash used for capital expenditures was $1,352 million in the full year of 2021, $311 million higher compared to the same period in 2020 mainly due to the acquisition of the Pioneer Pipeline in Canadian Utilities' Natural Gas Transmission business; the acquisition of three solar development projects in Canadian Utilities' Energy Infrastructure segment; and a strategic land purchase.

Capital investment and capital expenditures for the fourth quarter and full year of 2021 and 2020 is shown in the following table.

	Three Months Ended December 31			Year Ended December 31		
($ millions)	**2021**	**2020**	**Change**	**2021**	**2020**	**Change**
Structures & Logistics	**33**	24	9	**114**	125	(11)
ATCO Corporate & Other [1]	**(40)**	2	(42)	**11**	13	(2)
	(7)	26	(33)	**125**	138	(13)
Canadian Utilities						
Utilities						
Electricity	**92**	95	(3)	**350**	366	(16)
Natural Gas	**159**	148	11	**747**	510	237
	251	243	8	**1,097**	876	221
Energy Infrastructure	**80**	5	75	**120**	19	101
CU Corporate & Other	**3**	3	—	**10**	8	2
Canadian Utilities Total Capital Expenditures [2] [3]	**334**	251	83	**1,227**	903	324
ATCO Total Capital Expenditures	**327**	277	50	**1,352**	1,041	311
Capital Expenditures in Joint Ventures						
Utilities						
Electricity	**2**	—	2	**5**	—	5
Energy Infrastructure	**6**	2	4	**22**	9	13
Business Combinations						
Energy Infrastructure	**84**	—	84	**84**	—	84
Structures & Logistics	**—**	19	(19)	**—**	19	(19)
Canadian Utilities Total Capital Investment [4]	**426**	253	173	**1,338**	912	426
ATCO Total Capital Investment [4]	**419**	298	121	**1,463**	1,069	394

(1) *In the fourth quarter of 2021, ATCO Land and Development sold land that was purchased in the second quarter of 2021 to an ATCO affiliate for project development.*

(2) *Includes additions to property, plant and equipment, intangibles and $(3) million and $6 million (2020 - $3 million and $13 million) of capitalized interest during construction for the fourth quarter and full year of 2021. The $(3) million of capitalized interest during construction recognized in the fourth quarter relates to a project cancellation.*

(3) *Includes $38 million and $169 million for the fourth quarter and full year of 2021 (2020 - $37 million and $82 million) of capital expenditures, mainly in the Utilities, that were funded with the assistance of customer contributions.*

(4) *Additional information regarding these non-GAAP measures is provided in the Other Financial and Non-GAAP Measures section of this MD&A.*

Base Shelf Prospectus - CU Inc. Debentures

On September 16, 2020, CU Inc. filed a base shelf prospectus that permits it to issue up to an aggregate of $1.2 billion of debentures over the 25-month life of the prospectus. As of February 22, 2022, aggregate issuances of debentures were $610 million.

Debt Issuances and Repayments

On September 3, 2021, CU Inc. issued $460 million of 3.174 per cent 30-year debentures. Proceeds from this issuance were used to finance capital investments, to repay existing indebtedness, and for other general corporate purposes of the Alberta Utilities.

Preferred Shares - CU Inc.

Effective June 1, 2021, the annual dividend rate on CU Inc.'s Cumulative Redeemable Preferred Shares Series 4 was reset from 2.243 per cent to 2.292 per cent for a five-year period.

Redemption of Canadian Utilities' Equity Preferred Shares

On August 27, 2021, Canadian Utilities redeemed all of the issued 4.60 per cent Series V preferred shares for $110 million plus accrued dividends. $79 million of Series V was allocated to the Alberta Utilities under CU Inc. and this portion was subsequently replaced with long-term debt as part of CU Inc.'s September 2021 debenture issue.

Preferred Shares Issuances - Canadian Utilities

On December 9, 2021, Canadian Utilities issued $175 million of 4.75 per cent Cumulative Redeemable Second Preferred Shares Series HH by means of a short-form prospectus and granted an underwriter option to purchase an additional $26 million. This option was exercised in December 2021 increasing the total gross proceeds to $201 million. Canadian Utilities intends to use the proceeds for capital expenditures, to repay indebtedness and for other general corporate purposes.

Dividends and Common Shares

We have increased our common share dividend each year since 1993, a 29-year track record. Dividends paid to Class I and Class II Share owners totaled $51 million in the fourth quarter of 2021, and $205 million in the full year of 2021.

On January 13, 2022, the Board of Directors declared a first quarter dividend of 46.17 cents per share. The payment of any dividend is at the discretion of the Board of Directors and depends on our financial condition and other factors.

Normal Course Issuer Bid

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

On March 9, 2021, we commenced a normal course issuer bid to purchase up to 1,013,478 outstanding Class I Shares. The bid will expire on March 8, 2022. From March 9, 2021 to February 22, 2022, 220,000 shares were purchased for $9.3 million.

CONSOLIDATED CASH FLOW

At December 31, 2021, the Company's cash position was $1,088 million, a decrease of $12 million compared to December 31, 2020. Major movements are outlined in the following table:

	Year Ended December 31		
($ millions)	**2021**	**2020**	**Change**
Cash flow from operating activities	**1,864**	1,843	21
Net issue of long-term debt	**273**	129	144
Issue of short-term debt	**206**	—	206
Cash used for capital investment (1)	**(1,463)**	(1,069)	(394)
Issue of equity preferred shares	**201**	—	201
Redemption of equity preferred shares by subsidiary company	**(110)**	—	(110)
Dividends paid to Class I and Class II Share owners	**(205)**	(200)	(5)
Dividends paid to non-controlling interests	**(297)**	(301)	4
Interest paid	**(401)**	(413)	12
Other	**(80)**	(29)	(51)
(Decrease) increase in cash position	**(12)**	(40)	28

(1) Additional information regarding this non-GAAP measure is provided in the Other Financial and Non-GAAP Measures section of this MD&A.

SHARE CAPITAL

ATCO's equity securities consist of Class I Shares and Class II Shares.

At February 22, 2022, we had outstanding 101,190,749 Class I Shares, 13,196,129 Class II Shares, and options to purchase 1,427,950 Class I Shares.

CLASS I NON-VOTING SHARES AND CLASS II VOTING SHARES

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.

Of the 10,200,000 Class I Shares authorized for grant of options under our stock option plan, 107,150 Class I Shares were available for issuance at December 31, 2021. Options may be granted to officers and key employees of the Company and its subsidiaries at an exercise price equal to the weighted average of the trading price of the shares on the Toronto Stock Exchange for the five trading days immediately preceding the grant date. The vesting provisions and exercise period (which cannot exceed 10 years) are determined at the time of grant.

QUARTERLY INFORMATION

The following table shows financial information for the eight quarters ended March 31, 2020 through December 31, 2021.

($ millions, except for per share data)	Q1 2021	Q2 2021	Q3 2021	Q4 2021
Revenues	1,072	970	977	**1,270**
Earnings attributable to Class I and Class II Shares	83	12	52	**99**
Earnings per Class I and Class II Share *($)*	0.73	0.10	0.46	**0.87**
Diluted earnings per Class I and Class II Share *($)*	0.72	0.10	0.46	**0.87**
Adjusted earnings per Class I and Class II Share *($)*	1.04	0.70	0.60	**1.01**
Adjusted earnings (loss)				
Structures & Logistics	14	18	16	**5**
Neltume Ports	3	3	4	**3**
ATCO Corporate & Other	1	(1)	1	**5**
Canadian Utilities				
Utilities [(1)]	106	65	56	**109**
Energy Infrastructure	5	4	4	**2**
Canadian Utilities Corporate & Other	(10)	(9)	(12)	**(10)**
Total adjusted earnings [(1)]	119	80	69	**114**

($ millions, except for per share data)	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Revenues	1,056	938	897	1,053
Earnings attributable to Class I and Class II Shares	87	45	54	66
Earnings per Class I and Class II Share *($)*	0.76	0.39	0.48	0.58
Diluted earnings per Class I and Class II Share *($)*	0.76	0.39	0.47	0.58
Adjusted earnings per Class I and Class II Share *($)*	0.93	0.61	0.47	1.07
Adjusted earnings (loss)				
Structures & Logistics	7	21	12	17
Neltume Ports	3	2	3	7
ATCO Corporate & Other	1	(1)	—	—
Canadian Utilities				
Utilities [(1)]	99	57	47	102
Energy Infrastructure	3	2	3	7
Canadian Utilities Corporate & Other	(7)	(11)	(11)	(11)
Total adjusted earnings [(1)]	106	70	54	122

(1) Additional information regarding these total of segments measures is provided in the Other Financial and Non-GAAP Measures section of this MD&A.

Our financial results for the previous eight quarters reflect the cyclical demand for workforce housing and space rental products and services in ATCO Structures and ATCO Frontec, cargo volumes and margins at Neltume Ports, and in Canadian Utilities, the timing of utility regulatory decisions, and the seasonal nature of demand for natural gas and electricity.

ADJUSTED EARNINGS

STRUCTURES & LOGISTICS

In the first quarter of 2020, earnings were positively impacted by incremental earnings from ATCO Structures' LNG Canada Cedar Valley Lodge project, higher space rental activity in Canada, and higher workforce housing trade sale and rental activity in Australia. Higher earnings were partially offset by higher operating and administrative costs.

In the second quarter of 2020, earnings were positively impacted by higher workforce housing trade sale activity in Canada, the US and Australia, continued progress with the LNG Canada Cedar Valley Lodge project and higher space rental activity in Canada, the US and Australia.

In the third quarter of 2020, earnings were adversely impacted by the scheduled completion of ATCO Frontec North American contracts in late 2019 and early 2020, partially offset by additional client work requests at existing contract sites for COVID-19 proactive and preventative safety measures.

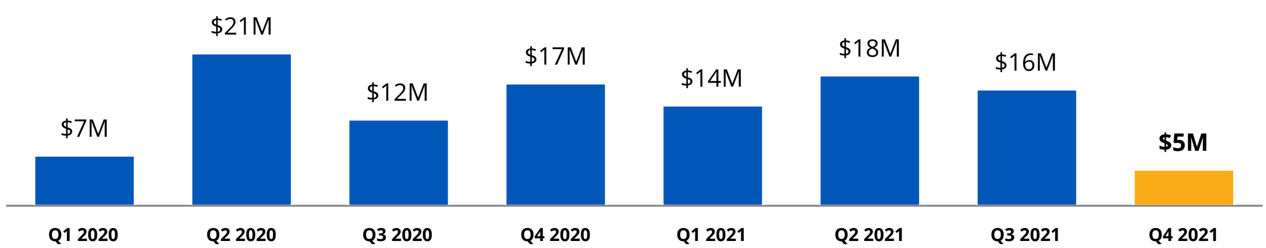
In the fourth quarter of 2020, earnings were positively impacted by additional ATCO Frontec client work requests at existing contract sites for COVID-19 proactive and preventative safety measures.

In the first quarter of 2021, earnings increased compared to the same period in 2020 mainly due to ATCO Structures' workforce housing trade sale activity in Canada and the US, workforce housing rental activity in Canada, higher space rental activity in Canada and Australia, and additional ATCO Frontec client work requests at the BC Hydro Site C Camp due to COVID-19 proactive and preventative safety measures.

In the second quarter of 2021, earnings decreased compared to the same period in 2020 mainly due to ATCO Structures' lower workforce housing trade sale activity in Canada, Australia and the US. Lower adjusted earnings were partially offset by ATCO Structures' higher space rental activity in Canada, Australia, and the US, and ATCO Frontec's recently awarded workforce housing service contract for the Trans Mountain Expansion project.

In the third quarter of 2021, earnings increased compared to the same period in 2020 mainly due to ATCO Structures' higher space rental activity, and higher occupancy and additional work requests at all workforce housing camps serviced by ATCO Frontec. Higher earnings were partially offset by the completion of manufacturing work on ATCO Structures' LNG Canada Cedar Valley Lodge project in 2020.

In the fourth quarter of 2021, earnings decreased compared to the same period in 2020 mainly due to lower contributions from ATCO Structures' LNG Canada Cedar Valley Lodge project which reached substantial completion in the third quarter of 2021, lower earnings from workforce housing trade sales in Mexico, and lower client work requests at the BC Hydro Site C and Alaska Radar System sites serviced by ATCO Frontec. Lower earnings were partially offset from continued focus on the build-out of space rentals in ATCO Structures.



NELTUME PORTS

In the first quarter of 2020, Neltume Ports' adjusted earnings were adversely impacted mainly by lower cargo volumes and margin.

In the second quarter of 2020, Neltume Ports' adjusted earnings were adversely impacted mainly by unplanned equipment maintenance activity at Puerto Mejillones in northern Chile and overall lower cargo volumes related to the COVID-19 pandemic.

In the third quarter of 2020, Neltume Ports recorded adjusted earnings that were comparable to the same period in 2019.

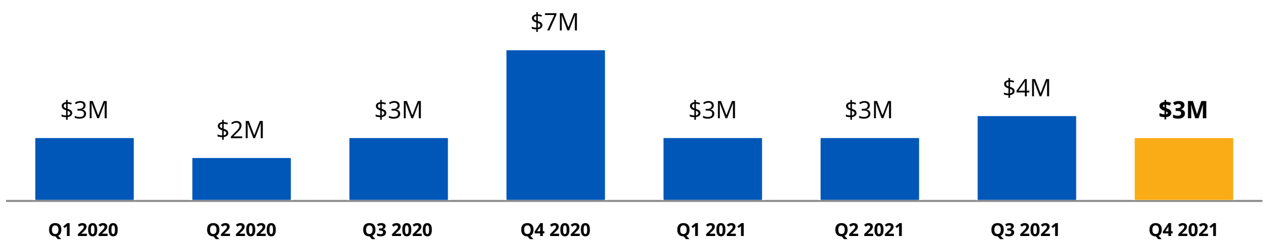
In the fourth quarter of 2020, Neltume ports' adjusted earnings were positively impacted mainly by a gain on sale of equipment, the timing of certain revenues and expenses, and higher cargo volumes and margins at select ports.

In the first quarter of 2021, Neltume Ports recorded adjusted earnings that were comparable to the same period in 2020.

In the second quarter of 2021, Neltume Ports recorded adjusted earnings that were $1 million higher than the same period in 2020. Higher earnings were mainly due to unplanned equipment maintenance activity at the Puerto Mejillones port in 2020, and higher volumes in 2021 across the portfolio of ports.

In the third quarter of 2021, Neltume Ports recorded adjusted earnings that were $1 million higher than the same period in 2020. Higher earnings were mainly due to a return to normal operations following unplanned equipment maintenance activity at the Puerto Mejillones port in 2020, and higher volumes in 2021 across the portfolio of ports.

In the fourth quarter of 2021, Neltume ports recorded adjusted earnings that were $4 million lower than the same period in 2020. Lower earnings were mainly due to a gain on sale of equipment in the fourth quarter of 2020 and timing of certain revenue and expenses.



CANADIAN UTILITIES

Utilities [(1)]

In the first quarter of 2020, Utilities adjusted earnings were positively impacted by cost efficiencies, rate base growth, and lower income taxes. Higher earnings were partially offset by the completion of ECM funding in 2019 for Electricity Distribution and Natural Gas Distribution.

In the second quarter of 2020, adjusted earnings in the Utilities were adversely impacted by the prior period impact of the Electricity Transmission 2018-2019 GTA decision received in the second quarter of 2019, the adverse earnings impact of the new five-year Access Arrangement regulatory decision in International Natural Gas Distribution, the transition to APL operating activities by Electricity Transmission with completion of project management construction activities at the end of the first quarter of 2019, and the completion of the incremental ECM funding in 2019 for Electricity Distribution and Natural Gas Distribution.

In the third quarter of 2020, adjusted earnings in the Utilities were adversely impacted by the adverse earnings impact of the five-year Access Arrangement regulatory decision, an adjustment for the impact of forecasted inflation rates in International Natural Gas Distribution and the transition to APL operating activities by Electricity Transmission. Lower earnings were partially offset by ongoing cost efficiencies and rate base growth across the Utilities, and contributions in International Electricity Operations from Canadian Utilities' 50 per cent joint venture ownership in LUMA Energy which commenced work in Puerto Rico at the end of the second quarter of 2020.

In the fourth quarter of 2020, adjusted earnings in the Utilities were positively impacted by cost efficiencies, rate base growth, and contributions in International Electricity Operations from Canadian Utilities' 50 per cent joint venture ownership in LUMA Energy.

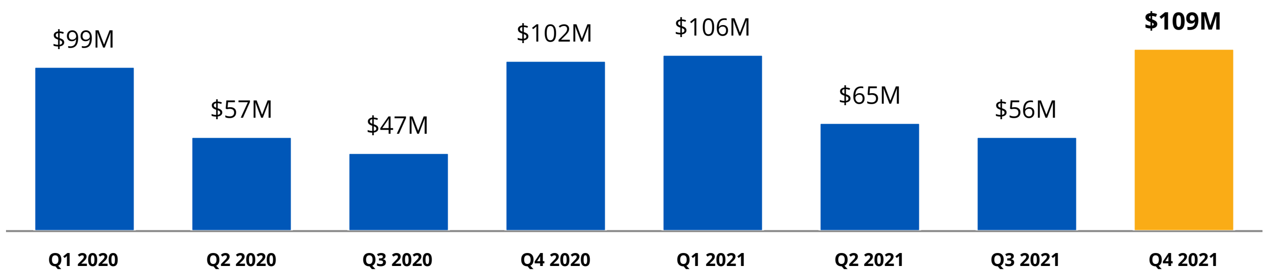
In the first quarter of 2021, adjusted earnings in the Utilities were higher than the same period in 2020. Higher earnings were mainly due to cost efficiencies and continued growth in the regulated rate base, earnings from International Electricity Operations, and inflation indexing and foreign exchange adjustments in International Natural Gas Distribution.

In the second quarter of 2021, adjusted earnings in the Utilities were higher than the same period in 2020. Higher earnings were mainly due to contributions from International Electricity Operations, a higher inflation rate in International Natural Gas Distribution, and cost efficiencies, partially offset by the impact of the Electricity Transmission 2018-2019 General Tariff Application (GTA) Compliance Filing decision received in the second quarter of 2021.

In the third quarter of 2021, adjusted earnings in the Utilities were higher than the same period in 2020. Higher earnings were mainly due to higher earnings from International Electricity Operations, inflation indexing in International Natural Gas Distribution, and cost efficiencies within the Electricity Distribution business.

(1) Additional information regarding this total of segments measure is provided in the Other Financial and Non-GAAP Measures section of this MD&A.

In the fourth quarter of 2021, adjusted earnings in the Utilities were higher than the same period in 2020 mainly due to higher earnings from International Electricity Operations, and inflation indexing in International Natural Gas Distribution. Higher earnings were partially offset by timing of operating costs.



Energy Infrastructure

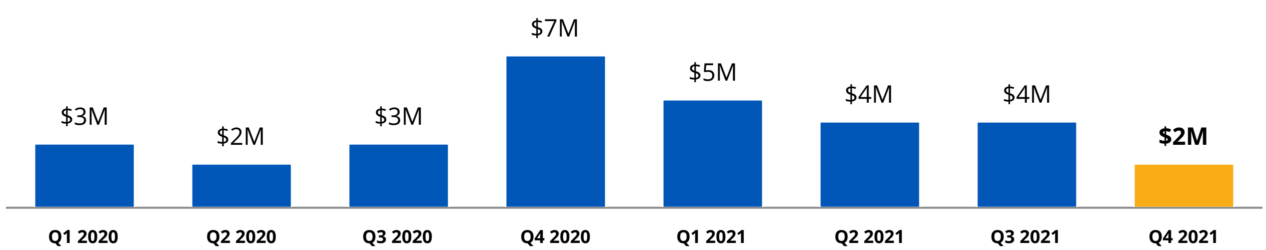
In all quarters of 2020, Energy Infrastructure earnings were adversely impacted due to the sale of the Canadian fossil fuel-based electricity generation business in the third quarter of 2019 and the sale of APL in the fourth quarter of 2019.

In the first quarter of 2021, Energy Infrastructure earnings were higher than the same period in 2020 mainly due to increased demand for natural gas storage services and recovered business development costs.

In the second quarter of 2021, Energy Infrastructure earnings were higher than the same period in 2020 mainly due to recovered business development costs, partially offset by lower demand for natural gas storage services.

In the third quarter of 2021, Energy Infrastructure earnings were higher than the same period in 2020 mainly due to increased demand for natural gas storage services and recovered business development costs.

In the fourth quarter of 2021, Energy Infrastructure earnings were lower than the same period in 2020 mainly due to the costs associated with the purchase of the Alberta Hub natural gas storage facility, Central West Pumped Hydro development costs, non-recurring recoveries in 2020, and lower demand for natural gas storage services.



EARNINGS ATTRIBUTABLE TO CLASS I AND CLASS II SHARES

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

- In the second quarter of 2020, impairment and other costs not in the normal course of business of $20 million (after-tax and non-controlling interests) were recorded. These costs mainly related to certain assets that no longer represent strategic value for the Company.
- Early Termination of the Master Service Agreements (MSA) for Managed IT Services
    - In the fourth quarter of 2020 and first quarter of 2021, Canadian Utilities signed MSAs with IBM Canada Ltd. (subsequently novated to Kyndryl Canada Ltd.) and IBM Australia Limited (IBM), respectively, to provide managed IT services. These services were previously provided by Wipro under a ten-year MSA expiring in December 2024. ATCO recognized termination costs of $32 million and $2 million (after-tax and non-controlling interests) in the fourth quarter of 2020 and first quarter of 2021, respectively, which represents managements' best estimate of the costs to exit the Wipro MSAs.
    - The transition of the managed IT services from Wipro to IBM commenced on February 1, 2021 and is now complete. In the fourth quarter and full year of 2021, ATCO recognized transition costs of $1 million and $24 million (after-tax and non-controlling interests), respectively.
- In the second quarter of 2021, impairments and other costs not in the normal course of business of $33 million (after-tax and non-controlling interests) were recorded. Canadian Utilities incurred $28 million of these costs in Mexico, related mainly to its Veracruz hydro facility within its Energy Infrastructure segment. The charge reflects an adverse arbitration decision, changes in market regulations, ongoing political uncertainty, and a challenging operating environment, resulting in an impairment of the carrying value of the assets. Other costs recorded were individually immaterial.
- AUC Enforcement Proceeding
    - In the fourth quarter of 2021, the AUC enforcement branch filed an application with the AUC recommending an enforcement proceeding be initiated. This proceeding is to determine whether ATCO Electric failed to comply with AUC decisions and enactments under the AUC's jurisdiction with respect to the sole source contract for the Jasper interconnection project and the actions leading up to and including the filing of the 2018-2020 Deferral Account Application. This proceeding will also determine any future remedies that may be required.
    - AUC Enforcement and Electricity Transmission are pursuing settlement discussions prior to the AUC determining the next process steps. In 2021, the Company recognized expenses of $7 million (after-tax and non-controlling interests) due to the potential outcome of the proceeding.
- During the fourth quarter and full year of 2021, the Company recorded earnings of $9 million (after-tax and non-controlling interests) following the conclusion of the Company's involvement in an international project.

BUSINESS RISKS AND RISK MANAGEMENT

The Board of Directors is responsible for understanding the principal risks of the businesses in which the Company is engaged. The Board also must achieve a prudent balance between risks incurred and the potential return to share owners. It must confirm controls are in place that effectively monitor and manage those risks for the Company's long-term viability.

The Board has an Audit & Risk Committee, which reviews significant risks associated with future performance and growth. This committee is responsible for confirming that management has procedures in place to mitigate identified risks.

We have an established enterprise risk management process that allows us to identify and evaluate our risks by both severity of impact and probability of occurrence. Materiality thresholds are reviewed annually by the Audit & Risk Committee. Non-financial risks that may have an impact on the safety of our employees, customers or the general public and reputation risks are also evaluated. The following table outlines our current significant risks and associated mitigations.

Business Risk: Capital Investment		
Businesses Impacted:	**Associated Strategies:**	
• All businesses	• Growth	• Financial Strength

Description & Context

The Company is subject to the normal risks associated with major capital projects, including cancellations, delays and cost increases. As it relates to the Company's energy transition investments, the Company faces additional risks including policy certainty, pace of energy transition, commodity and environmental attribute price risk and climate risk.

Risk Management Approach

The Company attempts to reduce the risks of project delays and cost increases by careful project feasibility, development and management processes, procurement practices and entering into fixed price contracts when possible.

International Natural Gas Distribution's planned capital investment is approved by the regulator. Planned capital investments for the Alberta Utilities are based on the following significant assumptions: projects identified by the AESO will proceed as currently scheduled; the remaining planned capital investments are required to maintain safe and reliable service and meet planned growth in the Alberta Utilities' service areas; regulatory approval for capital projects can be obtained in a timely manner; and access to capital market financings can be maintained.

The Company reduces risks associated with policy certainty, pace of energy transition, commodity and environmental attribute price risk and climate-related risk by leveraging our competitive advantages and assigning clear accountability and leadership for executing and realizing capital investment. Planned capital investments for Energy Infrastructure are based on the following significant assumptions: a diversified approach to business development focused on multiple pillars (energy storage, clean fuels, renewables) and development in areas closest to economic feasibility; ensuring long-term assets are matched with appropriate customer offtake agreements with investment grade counterparties; pursuing projects in markets where fundamentals and competitive advantage enable us to be successful; and self-performing or working with Engineering, Procurement and Construction firms and partners to ensure construction activities are completed by parties with the competencies to ensure successful project delivery.

The Company believes these assumptions are reasonable.

Business Risk: Climate Change		
Businesses Impacted:	**Associated Strategies:**	
• All businesses	• Operational Excellence	• Innovation

Description & Context - Policy Risks

ATCO has operations in several jurisdictions subject to emission regulations, including carbon pricing, output-based performance standards, and other emission management policies. For example, in Alberta the output-based Technology Innovation and Emissions Reduction Regulations replaced the federal Output-Based Pricing System as of January 1, 2020.

ATCO Structures' rental fleet has historically played an important role in servicing large industries such as the oil and gas industry. Provincial and federal climate policies that adversely impact the economic viability of these operations present an under-utilized asset risk to rental fleet assets in the short- to medium-term.

Energy Infrastructure has pivoted its growth strategy to largely focus on energy transition assets. A lack of clarity on proposed regulations creates revenue uncertainty for these projects.

Risk Management Approach - Policy Risks

The Company's exposure is mitigated for the Regulated Utilities because GHG emission charges are generally recovered in rates. In addition, future requirements, such as upgrading equipment to further reduce methane emissions in the natural gas utilities, are expected to be included in rate base on a go-forward basis.

ATCO Structures is further mitigating risk through the diversification of customers, geography, and end use of products, including the pursuit of three main business lines: space rentals, workforce housing, and permanent modular construction.

Energy Infrastructure is targeting investments that benefit from climate change. In addition, we are actively and constructively working with all levels of government as well as Indigenous communities to ensure ongoing communication and that the impacts and costs of proposed policy changes are identified and understood. Where appropriate, the Company is also working with its peers and industry associations to develop common positions and strategies.

Description & Context - Physical Risks

Physical risks associated with climate change may include an increase in extreme weather events such as heavy rainfall, floods, wildfires, extreme winds and ice storms, or changing weather patterns that cause ongoing impacts to seasonal temperatures. Assets across all of ATCO and Canadian Utilities' businesses are exposed to extreme weather events.

Risk Management Approach - Physical Risks

The Company continues to carefully manage physical risks, including preparing for, and responding to, extreme weather events through activities such as proactive route and site selection, asset hardening, regular maintenance, and insurance. The Company follows regulated engineering codes, continues to evaluate ways to create greater system reliability and resiliency and, where appropriate, submits regulatory applications for capital expenditures aimed at creating greater system reliability and resiliency within the code.

Prevention activities include Wildfire Management Plans and vegetation management at Electricity Transmission and Distribution operations. The majority of the Company's natural gas pipeline network is in the ground, making it less susceptible to extreme weather events.

The Company maintains in-depth emergency response measures for extreme weather events. When planning for capital investment or acquiring assets, we consider site specific climate and weather factors, such as flood plain mapping and extreme weather history.

These are the material climate related risks. For more detailed information on additional climate-related risks please refer to the Sustainability, Climate Change and Energy Transition section of this MD&A.

Business Risk: Credit Risk	
Businesses Impacted:	**Associated Strategies:**
• All businesses	• Financial Strength

Description & Context

For cash and cash equivalents and accounts receivable and contract assets, credit risk represents the carrying amount on the consolidated balance sheet. Derivative and finance lease receivable credit risk arises from the possibility that a counterparty to a contract fails to perform according to the terms and conditions of that contract. The maximum exposure to credit risk is the carrying value of loans and receivables and derivative financial instruments.

Risk Management Approach

Cash and cash equivalents credit risk is reduced by investing in instruments issued by credit-worthy financial institutions and in federal government issued short-term instruments.

The Company minimizes other credit risks by dealing with credit-worthy counterparties, following established credit-approval policies, and requiring credit security, such as letters of credit.

Geographically, a significant portion of loans and receivables are from the Company's operations in Alberta, followed by operations in Australia and Mexico. The largest credit risk concentration is from the Alberta Utilities, which are able to recover an estimate for doubtful accounts through approved customer rates and to request recovery through customer rates for any material losses from the retailers beyond the retailer security mandated by provincial regulations. The second largest concentration of credit risk is within the Structures & Logistics business. The counterparties' financial quality is monitored regularly to ensure appropriate mitigation of credit risk.

Business Risk: Cybersecurity		
Businesses Impacted:	**Associated Strategies:**	
• All businesses	• Operational Excellence	• Innovation

Description & Context

The Company's reliance on technology, which supports its information and industrial control systems, is subject to potential cyber-attacks including unauthorized access of confidential information and outage of critical infrastructure.

Risk Management Approach

The Company has an enterprise wide cybersecurity program covering all technology assets. The cybersecurity program includes employee awareness, layered access controls, continuous monitoring, network threat detection, and coordinated incident response through a centralized Security Operations Centre. The Company's cybersecurity management is consolidated under a common, centralized organization structure to increase effectiveness and compliance across the entire enterprise.

Business Risk: Energy Commodity Price		
Businesses Impacted:		**Associated Strategies:**
• Retail Energy	• Energy Infrastructure	• Financial Strength

Description & Context

Retail Energy's earnings are affected by short-term price volatility.

Storage & Industrial Water's natural gas storage facility in Carbon, Alberta, and the Alberta Hub natural gas storage facility near Edson, Alberta are exposed to storage price differentials.

Risk Management Approach

In conducting its business, the Company may use various instruments, including forward physical contracts, financial swaps, and storage service contracts to manage the risks arising from fluctuations in commodity prices.

To manage its exposure to natural gas storage spreads the Company uses a combination of storage service contracts to lease space and to capture future storage spreads.

The Company enters into natural gas physical contracts and forward power swap contracts as the hedging instrument to manage the exposure to electricity and natural gas market price movements.

Under IFRS accounting, entering into hedging instruments may result in mark-to-market adjustments that are recorded as unrealized gains or losses on the income statement. Realized gains or losses are recognized in adjusted earnings and IFRS earnings when the commodity contracts are settled.

In addition, Retail Energy monitors forward curves in order to ensure it is not promoting product offerings that are unfavourable to the Company.

Business Risk: Financing	
Businesses Impacted:	**Associated Strategies:**
• All businesses	• Financial Strength

Description & Context

The Company's financing risk relates to the price volatility and availability of external financing to fund the capital expenditure program and refinance existing debt maturities. Financing risk is directly influenced by market factors. As financial market conditions change, these risk factors can affect the availability of capital and also the relevant financing costs.

Risk Management Approach

To address this risk, the Company manages its capital structure to maintain strong investment grade credit ratings which allow continued ease of access to the capital markets. The Company also considers it prudent to maintain sufficient liquidity to fund approximately one full year of cash requirements to preserve strong financial flexibility. This liquidity is generated by cash flows from operations and supported by appropriate levels of cash and available committed credit facilities.

Business Risk: Foreign Currency Exchange Rate Risk	
Businesses Impacted:	**Associated Strategies:**
• All businesses	• Financial Strength

Description & Context

The Company's earnings from, and carrying values of, its foreign operations are exposed to fluctuations in exchange rates. The Company is also exposed to transactional foreign exchange risk through transactions denominated in a foreign currency.

Risk Management Approach

In conducting its business, the Company may use forward contracts to manage the risks arising from known fluctuations in exchange rates. Such instruments are used only to manage risk and not for trading purposes. This foreign exchange impact is partially offset by foreign denominated financing and by hedging activities. The Company manages this risk through its policy of matching revenues and expenses in the same currency. When matching is not possible, the Company may utilize foreign currency forward contracts to manage the risk.

Business Risk: Interest Rate	
Businesses Impacted:	**Associated Strategies:**
• All businesses	• Financial Strength

Description & Context

The interest rate risk faced by the Company is largely a result of its long-term debt at variable rates as well as cash and cash equivalents. The Company also has exposure to interest rate movements that occur beyond the term of maturity of the fixed-rate investments.

Risk Management Approach

In conducting its business, the Company may use swap agreements to manage the risks arising from fluctuations in interest rates. All such instruments are used only to manage risk and not for trading purposes. The Company has converted certain variable rate long-term debt to fixed rate debt through interest rate swap agreements. At December 31, 2021, the Company had fixed interest rates, either directly or through interest rate swap agreements, on 97 per cent (2020 - 98 per cent) of total long-term debt. Consequently, the exposure to fluctuations in future cash flows, with respect to debt, from changes in market interest rates was limited. The Company's cash and cash equivalents include fixed rate instruments with maturities of generally 90 days or less that are reinvested as they mature.

Business Risk: Natural Resource Sector Business Cycles		
Businesses Impacted:	**Associated Strategies:**	
• Structures & Logistics • Neltume Ports	• Growth • Financial Strength	• Operational Excellence

Description & Context

Demand for Structures & Logistics' workforce housing products and services, and the services provided by Neltume Ports are directly related to capital spending cycles and levels of development activity in various industries, primarily in the natural resources sector. Several key external factors influence customers' decision-making on whether or not to purchase products and services offered by the Company and/or to utilize the services provided by Neltume Ports. These factors include expected commodity prices, global economic and political conditions, and access to debt financing and equity capital. Any adverse impact on these influential key decision factors for a prolonged period could affect demand for the Company's products and services.

Risk Management Approach

ATCO Structures & Logistics' cost structure has a high variable cost component which provides flexibility in the Company's ability to reduce costs when the resource sector experiences a decline. In recent years, ATCO Structures & Logistics has managed fluctuations in the natural resource sector through its diversification into permanent modular construction and facility operations and maintenance services, while expanding its global space rentals business. These businesses provide stable earnings and cash flows and greater geographic diversity thereby reducing ATCO Structures & Logistics' risk exposure to any one particular industry sector or geography.

Neltume Ports has a diversified operational portfolio that is linked to a mix of cargos, economies, economic cycles, and political environments in Chile, Uruguay, Argentina, Brazil and the US.

Business Risk: Pandemic Risk		
Businesses Impacted:	**Associated Strategies:**	
• All businesses	• Growth • Financial Strength	• Operational Excellence • Community Involvement

Description & Context

An outbreak of infectious disease, a pandemic or a similar public health threat, such as the COVID-19 pandemic, or a fear of any of the foregoing, could adversely impact the Company by causing operating, supply chain and project development delays and disruptions, inflation risk, labour shortages and shutdowns as a result of government regulation and prevention measures, increased strain on employees and compromised levels of customer service, any of which could have a negative impact on the Company's operations.

Any deterioration in general economic and market conditions resulting from a public health threat could negatively affect demand for electricity and natural gas, revenue, operating costs, timing and extent of capital expenditures, results of financing efforts, or credit risk and counterparty risk; any of which could have a negative impact on the Company's business.

Risk Management Approach

ATCO's investments in essential services are largely focused on regulated utilities and long-term contracted businesses with strong counterparties, creating a resilient investment portfolio. In response to the COVID-19 pandemic, ATCO's Pandemic Plan was activated in February 2020. The plan includes travel restrictions, limited access to facilities, a direction to work from home whenever possible, physical distancing measures and other protocols (including the use of personal protective equipment while at a work premise). Additionally, the Company has been following recommendations by local and national public health authorities across the globe to adjust operational requirements as needed to ensure a coordinated approach across ATCO. As a result of these efforts and the Company's experience in crisis response, ATCO has been able to minimize the impact of the current COVID-19 pandemic on the Company's businesses and the essential services it provides to customers.

Business Risk: Pipeline Integrity		
Businesses Impacted:	**Associated Strategies:**	
• Utilities	• Operational Excellence	• Community Involvement

Description & Context

Natural Gas Transmission, Natural Gas Distribution and International Gas Distribution have significant pipeline infrastructure. Although the probability of a pipeline rupture is very low, the consequences of a failure can be severe.

Risk Management Approach

Programs are in place to monitor the integrity of the pipeline infrastructure and replace pipelines or pipeline infrastructure as required to address safety, reliability, and future growth. These programs include Natural Gas Distribution and Natural Gas Transmission's Urban Pipeline Replacement and Integrity programs, and Natural Gas Distribution and International Natural Gas Distribution's Mains Replacement programs. The Company also carries property and liability insurance. The Company actively engages in damage prevention initiatives including proactive direct engagement with the building and excavation communities. The Company also promotes ground disturbance and excavation safety to homeowners and the excavation community.

Business Risk: Political		
Businesses Impacted:	**Associated Strategies:**	
• All businesses	• Growth • Financial Strength	• Operational Excellence

Description & Context

Operations are exposed to a risk of change in the business environment due to political change. Legislative or policy changes may impact the financial performance of operations. This could negatively impact earnings, return on equity and assets, and credit metrics.

Risk Management Approach

Participation in policy consultations with governments and engagement of stakeholder groups ensure ongoing communication and that the impacts and costs of proposed policy changes are identified and understood. Where appropriate, the Company works with its peers and industry associations to develop common positions and strategies. Geographic diversification of assets by region and by country reduces the impact of political and legislative changes.

Business Risk: Regulated Operations		
Businesses Impacted:	**Associated Strategies:**	
• Utilities	• Growth • Financial Strength	• Operational Excellence

Description & Context

The Regulated Utilities are subject to the risks associated with the regulator's approval of customer rates that permit a reasonable opportunity to recover service costs on a timely basis, including a fair return on rate base. They are also subject to risk of the regulator's potential disallowance of costs incurred. Electricity Distribution and Natural Gas Distribution operate under PBR. Under PBR, utility revenues are formula driven, which raises the uncertainty of cost recovery. In Australia, the ERA assesses appropriate returns, prudent levels of operating costs, capital expenditures and expected throughput on the network through an Access Arrangement proceeding.

Risk Management Approach

The Regulated Utilities file forecasts in the rate-setting process to recover the costs of providing services and earn a fair rate of return. The determination of a fair rate of return on the common equity component of rate base is determined in a generic cost of capital proceeding in Alberta and an Access Arrangement proceeding in Australia. The Regulated Utilities continuously monitor various regulatory decisions and cases to assess how they might impact the Company's regulatory applications for the recovery of costs. The Regulated Utilities are proactive in demonstrating prudence and continuously look for ways to lower operating costs while maintaining service levels.

Business Risk: Technological Transformation and Disruption		
Businesses Impacted:	**Associated Strategies:**	
• All businesses	• Growth • Financial Strength	• Operational Excellence • Innovation

Description & Context

The introduction and rapid, widespread adoption of transformative technology could lead to disruption of the Company's existing business models and introduce new competitive market dynamics. Failure to effectively identify and manage disruptive technology and/or changing consumer attitudes and preferences may result in disruptions to the business and an inability to achieve strategic and financial objectives.

Risk Management Approach

The strategic plans of each business unit incorporate transformative technology into the evolution of their business and ensure that the best available technology is deployed to support current state operational efficiency and reliability. The business seeks opportunities to minimize costs by monitoring trends occurring in other jurisdictions that may be ahead of the technological curve.

Business Risk: Liquidity	
Businesses Impacted:	**Associated Strategies:**
• All businesses	• Financial Strength

Description & Context

Liquidity risk is the risk that the Company will not be able to meet its financial obligations.

Risk Management Approach

Cash flow from operations provides a substantial portion of the Company's cash requirements. Additional cash requirements are met with the use of existing cash balances and externally through bank borrowings and the issuance of long-term debt, non-recourse long-term debt and preferred shares. Commercial paper borrowings and short-term bank loans under available credit lines are used to provide flexibility in the timing and amounts of long-term financing. At December 31, 2021, the Company's cash position was approximately $1 billion and there were available committed and uncommitted lines of credit of approximately $2.3 billion which can be utilized for general corporate purposes.

Liquidity risk includes contractual financial obligations which the Company will meet with cash flow from operations, existing cash balances and external financing, if necessary. These contractual financial obligations for the next five years and thereafter are shown below.

($ millions)	2022	2023	2024	2025	2026	2027 and thereafter
Financial Liabilities						
Accounts payable and accrued liabilities	852	—	—	—	—	—
Short-term debt	206	—	—	—	—	—
Long-term debt:						
Principal	351	233	451	62	432	8,373
Interest expense (1)	371	371	363	358	365	7,006
Derivatives (2)	32	9	4	1	—	—
	1,812	613	818	421	797	15,379
Commitments						
Purchase obligations:						
Operating and maintenance agreements	350	326	286	51	40	96
Capital expenditures	359	—	—	—	—	—
Other	6	—	—	—	—	—
	715	326	286	51	40	96
Total	2,527	939	1,104	472	837	15,475

(1) Interest payments on floating rate debt have been estimated using rates in effect at December 31, 2021. 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, 2021.

OTHER FINANCIAL AND NON-GAAP MEASURES

Other financial measures presented in this MD&A consist of:

1. Adjusted earnings which are a key measure of segment earnings that are used to assess segment performance and allocate resources; and
2. Total of segments measures, which are defined as financial measures disclosed by an issuer that are a subtotal or total of two or more reportable segments.

Adjusted earnings are defined as earnings attributable to Class I and Class II Shares after adjusting for the timing of revenues and expenses associated with rate-regulated activities and unrealized gains or losses on mark-to-market forward and swap commodity contracts. Adjusted earnings also exclude one-time gains and losses, impairments, and items that are not in the normal course of business or a result of day-to-day operations.

Adjusted earnings present earnings from rate-regulated activities on the same basis as was used prior to adopting IFRS - that basis being the US accounting principles for rate-regulated activities. Adjusted earnings are presented in Note 3 of the 2021 Consolidated Financial statements. Adjusted earnings per Class I and Class II Share is calculated by dividing adjusted earnings by the weighted average number of shares outstanding for the period.

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

Total of segments measures are most directly comparable to total earnings attributable to Class I and Class II shares. Comparable total of segments measures from 2020 have been calculated using the same composition and are disclosed alongside the current total of segments measures in this MD&A. A reconciliation of the total of segments measures with total earnings attributable to Class I and Class II shares is presented in this MD&A.

Non-GAAP financial measures presented in this MD&A are defined as financial measures disclosed by an issuer that are not disclosed in the financial statements.

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

RECONCILIATION OF ADJUSTED EARNINGS TO EARNINGS ATTRIBUTABLE TO CLASS I AND CLASS II SHARES

Adjusted earnings are earnings attributable to Class I and Class II Shares after adjusting for the timing of revenues and expenses associated with rate-regulated activities and unrealized gains or losses on mark-to-market forward and swap commodity contracts. Adjusted earnings also exclude one-time gains and losses, impairments, and items that are not in the normal course of business or a result of day-to-day operations.

Adjusted earnings are a key measure of segment earnings that management uses to assess segment performance and allocate resources. It is management's view that adjusted earnings allow a better assessment of the economics of rate regulation in Canada and Australia than IFRS earnings. Additional information regarding this measure is provided in the Other Financial and Non-GAAP Measures section of this MD&A.

($ millions) — Three Months Ended December 31

2021 / 2020	ATCO Ltd.							ATCO Consolidated
				Canadian Utilities Limited				
	Structures & Logistics	Neltume Ports	ATCO Corporate & Other	Utilities	Energy Infrastructure	CUL Corporate & Other	Consolidated	
Revenues	**243**	**—**	**(1)**	**884**	**74**	**70**	**1,028**	**1,270**
	171	—	1	784	59	38	881	1,053
Adjusted earnings (loss)	**5**	**3**	**5**	**109**	**2**	**(10)**	**101**	**114**
	17	7	—	102	7	(11)	98	122
Unrealized gains (losses) on mark-to-market forward and swap commodity contracts	**—**	**—**	**—**	**—**	**(1)**	**3**	**2**	**2**
	—	—	—	—	—	(4)	(4)	(4)
Rate-regulated activities	**—**	**—**	**—**	**(15)**	**—**	**—**	**(15)**	**(15)**
	—	—	—	(16)	—	1	(15)	(15)
IT Common Matters decision	**—**	**—**	**—**	**(2)**	**—**	**—**	**(2)**	**(2)**
	—	—	—	(5)	—	—	(5)	(5)
Transition of managed IT services	**(1)**	**—**	**3**	**(3)**	**—**	**—**	**(3)**	**(1)**
	(3)	—	—	(26)	(1)	(2)	(29)	(32)
AUC enforcement proceeding	**—**	**—**	**—**	**(7)**	**—**	**—**	**(7)**	**(7)**
	—	—	—	—	—	—	—	—
Project cost recovery	**—**	**—**	**—**	**—**	**9**	**—**	**9**	**9**
	—	—	—	—	—	—	—	—
Other	**—**	**—**	**—**	**—**	**(1)**	**—**	**(1)**	**(1)**
	—	—	(1)	—	1	—	1	—
Earnings (loss) attributable to Class I and Class II Shares	**4**	**3**	**8**	**82**	**9**	**(7)**	**84**	**99**
	14	7	(1)	55	7	(16)	46	66

($ millions)								Year Ended December 31
2021	**ATCO Ltd.**							
2020				**Canadian Utilities**				**ATCO Consolidated**
	Structures & Logistics	**Neltume Ports**	**ATCO Corporate & Other**	**Utilities**	**Energy Infrastructure**	**CUL Corporate & Other**	**Consolidated**	
Revenues	**777**	**—**	**(3)**	**3,041**	**209**	**265**	**3,515**	**4,289**
	714	—	(3)	2,932	195	106	3,233	3,944
Adjusted earnings (loss)	**53**	**13**	**6**	**336**	**15**	**(41)**	**310**	**382**
	57	15	—	305	15	(40)	280	352
Impairment and other costs	**—**	**—**	**1**	**—**	**(34)**	**—**	**(34)**	**(33)**
	(5)	—	—	(4)	(2)	(9)	(15)	(20)
Unrealized losses on mark-to-market forward and swap commodity contracts	**—**	**—**	**—**	**—**	**(1)**	**(9)**	**(10)**	**(10)**
	—	—	—	—	(2)	(2)	(4)	(4)
Rate-regulated activities	**—**	**—**	**—**	**(64)**	**—**	**—**	**(64)**	**(64)**
	—	—	—	(34)	—	2	(32)	(32)
IT Common Matters decision	**—**	**—**	**—**	**(7)**	**—**	**—**	**(7)**	**(7)**
	—	—	—	(10)	—	—	(10)	(10)
Transition of managed IT services	**(2)**	**—**	**—**	**(20)**	**(1)**	**(1)**	**(22)**	**(24)**
	(3)	—	—	(26)	(1)	(2)	(29)	(32)
AUC enforcement proceeding	**—**	**—**	**—**	**(7)**	**—**	**—**	**(7)**	**(7)**
	—	—	—	—	—	—	—	—
Project cost recovery	**—**	**—**	**—**	**—**	**9**	**—**	**9**	**9**
	—	—	—	—	—	—	—	—
Other	**—**	**—**	**2**	**—**	**(2)**	**—**	**(2)**	**—**
	—	—	(1)	—	(1)	—	(1)	(2)
Earnings (loss) attributable to Class I and Class II Shares	**51**	**13**	**9**	**238**	**(14)**	**(51)**	**173**	**246**
	49	15	(1)	231	9	(51)	189	252

IMPAIRMENT AND OTHER COSTS

In 2021, impairments and other costs not in the normal course of business of $33 million (after-tax and non-controlling interests) were recorded. Canadian Utilities incurred $28 million of these costs in Mexico, related mainly to its Veracruz hydro facility within its Energy Infrastructure segment. The charge reflects an adverse arbitration decision, changes in market regulations, ongoing political uncertainty, and a challenging operating environment, resulting in an impairment of the carrying value of the assets. Other costs recorded were individually immaterial.

In 2020, impairment and other costs not in the normal course of business of $20 million (after-tax and non-controlling interests) were recorded. These costs mainly related to certain assets that no longer represented strategic value to the Company. Canadian Utilities' subsidiary ATCO Oil & Gas Ltd. holds a five per cent working interest in oil and gas assets in Northern Canada. With oil price volatility and the COVID-19 pandemic continuing to cause economic uncertainty, an impairment of $9 million was recorded in 2020 reflecting the reduced likelihood of future recovery of these costs. The remaining costs relate to the continued transformation and realignment of certain functions in the Company.

ATCO Structures closed its manufacturing facility located in Pocatello, Idaho, relocated materials and equipment to its manufacturing facilities in Calgary, Alberta and Diboll, Texas and recorded $3 million in one-time closure costs in 2020.

The remaining costs related to the continued transformation and realignment of certain functions in the Company, as well as an adjustment to certain real estate assets in small markets within the Company's real estate portfolio due to continued low prices and economic uncertainty.

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 the fixed-price swap commodity contracts are recognized in the earnings of the Corporate & Other segment.

The CODM believes that removal of the unrealized gains or 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

Electricity Distribution and Transmission and their subsidiaries, ATCO Electric Yukon, Northland Utilities (NWT) and Northland Utilities (Yellowknife), as well as Natural Gas Distribution, Natural Gas Transmission, and International Natural Gas Distribution are collectively referred to as the Regulated Utilities.

There is currently no specific guidance under IFRS for rate-regulated entities that the Company is eligible to adopt. In the absence of this guidance, the Regulated Utilities do not recognize assets and liabilities from rate-regulated activities as may be directed by regulatory decisions. Instead, the Regulated Utilities recognize revenues in earnings when amounts are billed to customers, consistent with the regulator-approved rate design. Operating costs and expenses are recorded when incurred. Costs incurred in constructing an asset that meet the asset recognition criteria are included in the related property, plant and equipment or intangible asset.

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

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

Timing Adjustment	Items	RRA Treatment	IFRS Treatment
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.
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.
Regulatory decisions received	Regulatory decisions received which relate to current and prior periods	The Company recognizes the earnings from a regulatory decision pertaining to current and prior 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.
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 are as follows:

	Three Months Ended December 31			Year Ended December 31		
($ millions)	**2021**	**2020**	**Change**	**2021**	**2020**	**Change**
Additional revenues billed in current period						
Future removal and site restoration costs (1)	**11**	11	—	**56**	41	15
Impact of colder temperatures (2)	**—**	—	—	**—**	1	(1)
Revenues to be billed in future periods						
Deferred income taxes (3)	**(17)**	(17)	—	**(56)**	(55)	(1)
Distribution rate relief (4)	**(13)**	—	(13)	**(63)**	—	(63)
Impact of warmer temperatures (2)	**2**	(3)	5	**(1)**	—	(1)
Impact of inflation on rate base (5)	**(10)**	(1)	(9)	**(17)**	(3)	(14)
Settlement of regulatory decisions and other items (6)	**12**	(5)	17	**17**	(16)	33
	(15)	(15)	—	**(64)**	(32)	(32)

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

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

(4) During the fourth quarter and year ended December 31, 2021, Electricity Distribution and Natural Gas Distribution recorded a decrease in earnings of $13 million and $63 million related to interim rate relief for customers as applied for by the Company and approved by the AUC to hold current distribution base rates in place. These amounts will be recovered from customers in 2022.

(5) The inflation-indexed portion of International Natural Gas Distribution's 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 assets.

(6) In 2021, Natural Gas Distribution collected $28 million related to depreciation and transmission rate riders which was partially offset by a decrease in earnings of $15 million related to payments of transmission costs. In 2020, Electric Distribution recorded a decrease in earnings of $14 million related to payments to customers for transmission costs and capital related items.

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 2021 was $2 million and $7 million (after-tax and non-controlling interests) (2020 - $5 million and $10 million).

TRANSITION OF MANAGED IT SERVICES

In the fourth quarter of 2020 and first quarter of 2021, Canadian Utilities signed MSAs with IBM Canada Ltd. (subsequently novated to Kyndryl Canada Ltd.) and IBM Australia Limited (IBM), respectively, to provide managed IT services. These services were previously provided by Wipro under a ten-year MSA expiring in December 2024. The transition of the managed IT services from Wipro to IBM commenced on February 1, 2021 and is complete.

In the fourth quarter and full year of 2021, ATCO recognized termination and transition costs of $1 million and $24 million (after-tax and non-controlling interests) (2020 - $32 million and $32 million).

AUC ENFORCEMENT PROCEEDING

On November 29, 2021, the AUC enforcement branch filed an application with the AUC recommending an enforcement proceeding be initiated. This proceeding is to determine whether ATCO Electric failed to comply with AUC decisions and enactments under the AUC's jurisdiction with respect to the sole source contract for the Jasper interconnection project and the actions leading up to and including the filing of the 2018-2020 Deferral Account Application. This proceeding will also determine any future remedies that may be required.

AUC Enforcement and Electricity Transmission are pursuing settlement discussions prior to the AUC determining the next process steps. In the fourth quarter and full year of 2021, the Company recognized expenses of $7 million (after-tax and non-controlling interests) due to the potential outcome of the proceeding.

PROJECT COST RECOVERY

During the fourth quarter and full year of 2021, the Company recorded earnings of $9 million (after-tax and non-controlling interests) following the conclusion of the Company's involvement in an international project.

OTHER

The Company adjusts the deferred tax asset which was recognized as a result of the 2015 Tula Pipeline Project impairment. In the full year of 2021, the Company recorded a foreign exchange impact of $2 million (after-tax and non-controlling interests) (2020 - a foreign exchange loss of $1 million) due to a difference between the tax base currency, which is the Mexican peso, and the US dollar functional currency.

STRUCTURES & LOGISTICS

The following tables reconcile adjusted earnings for the Structures & Logistics business unit to the directly comparable financial measure, earnings attributable to Class I and Class II shares.

($ millions)			**Three Months Ended December 31**
2021	**ATCO Ltd.**		
2020			
	Structures	**Frontec**	**Structures & Logistics**
Adjusted earnings (loss)	**6**	**(1)**	**5**
	13	4	17
Transition of managed IT services	**—**	**(1)**	**(1)**
	(3)	—	(3)
Earnings (loss) attributable to Class I and Class II shares	**6**	**(2)**	**4**
	10	4	14

($ millions)			**Year Ended December 31**
2021	**ATCO Ltd.**		
2020			
	Structures	**Frontec**	**Structures & Logistics**
Adjusted earnings	**48**	**5**	**53**
	52	5	57
Impairments and other costs	**—**	**—**	**—**
	(5)	—	(5)
Transition of managed IT services	**(1)**	**(1)**	**(2)**
	(3)	—	(3)
Earnings attributable to Class I and Class II shares	**47**	**4**	**51**
	44	5	49

UTILITIES

The following tables reconcile adjusted earnings for the Utilities business unit to the directly comparable financial measure, earnings attributable to Class I and Class II shares.

($ millions)									Three Months Ended December 31
2021	Canadian Utilities Ltd.								
2020	Electricity				Natural Gas				Utilities
	Electric Distribution	Electric Transmission	International Electricity	Consolidated Electricity	Natural Gas Distribution	Natural Gas Transmission	International Natural Gas	Consolidated Natural Gas	
Adjusted earnings	**20**	**19**	**8**	**47**	**38**	**11**	**13**	**62**	**109**
	20	22	3	45	41	12	4	57	102
Rate-regulated activities	**(13)**	**4**	**—**	**(9)**	**8**	**(3)**	**(11)**	**(6)**	**(15)**
	(6)	3	—	(3)	(6)	(5)	(2)	(13)	(16)
IT Common Matters decision	**(1)**	**—**	**—**	**(1)**	**(1)**	**—**	**—**	**(1)**	**(2)**
	(2)	(1)	—	(3)	(1)	(1)	—	(2)	(5)
Transition of managed IT services	**(1)**	**(1)**	**—**	**(2)**	**(1)**	**—**	**—**	**(1)**	**(3)**
	(8)	(4)	—	(12)	(10)	(2)	(2)	(14)	(26)
AUC enforcement proceeding	**—**	**(7)**	**—**	**(7)**	**—**	**—**	**—**	**—**	**(7)**
	—	—	—	—	—	—	—	—	—
Earnings attributable to Class I and Class II shares	**5**	**15**	**8**	**28**	**44**	**8**	**2**	**54**	**82**
	4	20	3	27	24	4	—	28	55

($ millions) | **Year Ended December 31**

2021 / 2020	Canadian Utilities Ltd.								
	Electricity				Natural Gas				Utilities
	Electric Distribution	Electric Transmission	International Electricity	Consolidated Electricity	Natural Gas Distribution	Natural Gas Transmission	International Natural Gas	Consolidated Natural Gas	
Adjusted earnings	**80**	**81**	**23**	**184**	**75**	**43**	**34**	**152**	**336**
	69	91	6	166	76	47	16	139	305
Impairments and other costs	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	(1)	(1)	—	(2)	(2)	—	—	(2)	(4)
Rate-regulated activities	**(40)**	**10**	**—**	**(30)**	**(5)**	**(11)**	**(18)**	**(34)**	**(64)**
	(28)	4	—	(24)	5	(14)	(1)	(10)	(34)
IT Common Matters decision	**(2)**	**(2)**	**—**	**(4)**	**(2)**	**(1)**	**—**	**(3)**	**(7)**
	(3)	(3)	—	(6)	(3)	(1)	—	(4)	(10)
Transition of managed IT services	**(5)**	**(2)**	**—**	**(7)**	**(8)**	**(1)**	**(4)**	**(13)**	**(20)**
	(8)	(4)	—	(12)	(12)	(2)	—	(14)	(26)
AUC enforcement proceeding	**—**	**(7)**	**—**	**(7)**	**—**	**—**	**—**	**—**	**(7)**
	—	—	—	—	—	—	—	—	—
Other	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	—	—	—	—	(2)	—	2	—	—
Earnings attributable to Class I and Class II shares	**33**	**80**	**23**	**136**	**60**	**30**	**12**	**102**	**238**
	29	87	6	122	62	30	17	109	231

ENERGY INFRASTRUCTURE

The following tables reconcile adjusted earnings for the Energy Infrastructure business unit to the directly comparable financial measure, earnings attributable to Class I and Class II shares.

($ millions) **2021** 2020	Three Months Ended December 31 Canadian Utilities Ltd. Electricity Generation	Storage & Industrial Water	Energy Infrastructure
Adjusted earnings	**—**	**2**	**2**
	2	5	7
Unrealized losses on mark-to-market forward and swap commodity contract	**—**	**(1)**	**(1)**
	—	—	—
Transition of managed IT services	**—**	**—**	**—**
	—	(1)	(1)
Project cost recovery	**—**	**9**	**9**
	—	—	—
Other	**—**	**(1)**	**(1)**
	—	1	1
Earnings attributable to Class I and Class II shares	**—**	**9**	**9**
	2	5	7

($ millions) **2021** 2020	Year Ended December 31 Canadian Utilities Limited Electricity Generation	Storage & Industrial Water	Energy Infrastructure
Adjusted earnings	**7**	**8**	**15**
	7	8	15
Impairments and other costs	**(34)**	**—**	**(34)**
	(1)	(1)	(2)
Unrealized losses on mark-to-market forward and swap commodity contract	**—**	**(1)**	**(1)**
	—	(2)	(2)
Transition of managed IT services	**—**	**(1)**	**(1)**
	—	(1)	(1)
Project cost recovery	**—**	**9**	**9**
	—	—	—
Other	**—**	**(2)**	**(2)**
	—	(1)	(1)
Loss (earnings) attributable to Class I and Class II shares	**(27)**	**13**	**(14)**
	6	3	9

RECONCILIATION OF CAPITAL INVESTMENT TO CAPITAL EXPENDITURES

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

($ millions) **Three Months Ended December 31**

2021 / 2020	**ATCO Ltd.**							
				Canadian Utilities Limited				**ATCO Consolidated**
	Structures & Logistics	**Neltume Ports**	**ATCO Corporate & Other**	**Utilities**	**Energy Infrastructure**	**CUL Corporate & Other**	**Consolidated**	
Capital Investment	**33**	**—**	**(40)**	**253**	**170**	**3**	**426**	**419**
	43	—	2	243	7	3	253	298
Capital Expenditure in joint ventures (1)	**—**	**—**	**—**	**(2)**	**(6)**	**—**	**(8)**	**(8)**
	—	—	—	—	(2)	—	(2)	(2)
Business combination (2)	**—**	**—**	**—**	**—**	**(84)**	**—**	**(84)**	**(84)**
	(19)	—	—	—	—	—	—	(19)
Capital Expenditures	**33**	**—**	**(40)**	**251**	**80**	**3**	**334**	**327**
	24	—	2	243	5	3	251	277

(1) Capital expenditures in joint ventures relates mainly to the construction of a long-term contracted hydrocarbon storage cavern in Canadian Utilities' Energy Infrastructure segment.

(2) Business combination in 2021 is due to an acquisition of the Alberta Hub natural gas storage facility in Canadian Utilities' Energy Infrastructure segment.

($ millions) **Year Ended December 31**

2021 / 2020	**ATCO Ltd.**							
				Canadian Utilities Limited				**ATCO Consolidated**
	Structures & Logistics	**Neltume Ports**	**ATCO Corporate & Other**	**Utilities**	**Energy Infrastructure**	**CUL Corporate & Other**	**Consolidated**	
Capital Investment	**114**	**—**	**11**	**1,102**	**226**	**10**	**1,338**	**1,463**
	144	—	13	876	28	8	912	1,069
Capital Expenditure in joint ventures (1)	**—**	**—**	**—**	**(5)**	**(22)**	**—**	**(27)**	**(27)**
	—	—	—	—	(9)	—	(9)	(9)
Business combination (2)	**—**	**—**	**—**	**—**	**(84)**	**—**	**(84)**	**(84)**
	(19)	—	—	—	—	—	—	(19)
Capital Expenditures	**114**	**—**	**11**	**1,097**	**120**	**10**	**1,227**	**1,352**
	125	—	13	876	19	8	903	1,041

(1) Capital expenditures in joint ventures relates mainly to the construction of a long-term contracted hydrocarbon storage cavern in Canadian Utilities' Energy Infrastructure segment.

(2) Business combination in 2021 is due to an acquisition of the Alberta Hub natural gas storage facility in Canadian Utilities' Energy Infrastructure segment.

OTHER FINANCIAL INFORMATION

OFF BALANCE SHEET ARRANGEMENTS

ATCO does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition, including, without limitation, the Company's liquidity and capital resources.

CONTINGENCIES

The Company is party to a number of disputes and lawsuits in the normal course of business. The Company believes the ultimate liability arising from these matters will have no material impact on its 2021 Consolidated Financial Statements.

SIGNIFICANT ACCOUNTING ESTIMATES

The Company's significant accounting estimates are described in Note 23 of the 2021 Consolidated Financial Statements, which are prepared in accordance with IFRS. Management makes judgments and estimates that could significantly affect how policies are applied, amounts in the consolidated financial statements are reported, and 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 ongoing basis; changes to accounting estimates are recognized prospectively.

ACCOUNTING CHANGES

At December 31, 2021, there are no new or amended standards issued, or interpretations that need to be adopted in future periods, which will have a material effect on the 2022 Consolidated Financial Statements once adopted.

DISCLOSURE CONTROLS AND PROCEDURES

As of December 31, 2021, management evaluated the effectiveness of the Company's disclosure controls and procedures as required by the Canadian Securities Administrators. This evaluation was performed under the supervision of, and with the participation of, the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO).

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in documents filed with securities regulatory authorities is recorded, processed, summarized and reported on a timely basis. The controls also seek to assure this information is accumulated and communicated to management, including the CEO and the CFO, as appropriate, to allow timely decisions on required disclosure.

Management, including the CEO and the CFO, does not expect the Company's disclosure controls and procedures will prevent or detect all errors. The inherent limitations in all control systems are that they can provide only reasonable, not absolute, assurance that all control issues and instances of error, if any, within the Company have been detected.

Based on this evaluation, the CEO and the CFO have concluded that the Company's disclosure controls and procedures were effective at December 31, 2021.

INTERNAL CONTROL OVER FINANCIAL REPORTING

There was no change in the Company's internal control over financial reporting that occurred during the period beginning on January 1, 2021, and ended on December 31, 2021, that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, internal control over financial reporting can provide only reasonable assurance regarding the reliability of financial statement preparation and may not prevent or detect all misstatements.

As of December 31, 2021, management evaluated the effectiveness of the Company's internal control over financial reporting as required by the Canadian Securities Administrators. This evaluation was performed under the supervision of, and with the participation of, the CEO and the CFO.

Based on this evaluation, the CEO and the CFO have concluded that the Company's internal control over financial reporting was effective at December 31, 2021.

FORWARD-LOOKING INFORMATION

Certain statements contained in this MD&A constitute forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as "anticipate", "plan", "estimate", "expect", "may", "will", "intend", "should", "goals", "targets", "strategy", "future", and similar expressions. In particular, forward-looking information in this MD&A includes, but is not limited to, references to general strategic plans and targets, including with respect to reducing GHG emissions; the timing for construction, completion or the commencement of operations in relation to the projects and programs highlighted under "Recent Developments in the Fourth Quarter of 2021" and elsewhere and the expected revenues or contract values associated with such projects and programs; projected expenses in connection with the described Alberta Utilities Commission proceedings; and forecast cost recoveries.

Although the Company believes that the expectations reflected in the forward-looking information are reasonable based on the information available on the date such statements are made and processes used to prepare the information, such statements are not guarantees of future performance and no assurance can be given that these expectations will prove to be correct. Forward-looking information should not be unduly relied upon. By their nature, these statements involve a variety of assumptions, known and unknown risks and uncertainties, and other factors, which may cause actual results, levels of activity, and achievements to differ materially from those anticipated in such forward-looking information. The forward-looking information reflects the Company's beliefs and assumptions with respect to, among other things, the Company's ability to successfully achieve its net-zero GHG target by 2050; the development and performance of technology and technological innovations and the ability to otherwise access and implement all technology necessary to achieve GHG and other environmental, social and governance targets; continuing collaboration with certain regulatory and environmental groups; the performance of assets and equipment; demand levels for oil, natural gas, gasoline, diesel and other energy sources; certain levels of future energy use; future production rates; future revenue and earnings; the ability to meet current project schedules, and other assumptions inherent in management's expectations in respect of the forward-looking information identified herein.

The Company's actual results could differ materially from those anticipated in this forward-looking information as a result of, among other things, risks inherent in the performance of assets; capital efficiencies and cost savings; applicable laws and government policies; regulatory decisions; competitive factors in the industries in which the Company operates; prevailing economic conditions (including as may be affected by the COVID-19 pandemic); credit risk; interest rate fluctuations; the availability and cost of labour, materials, services, and infrastructure; the development and execution of projects; prices of electricity, natural gas, natural gas liquids, and renewable energy; the development and performance of technology and new energy efficient products, services, and programs including but not limited to the use of zero-emission and renewable fuels, carbon capture, and storage, electrification of equipment powered by zero-emission energy sources and utilization and availability of carbon offsets; the occurrence of unexpected events such as fires, severe weather conditions, explosions, blow-outs, equipment failures, transportation incidents, and other accidents or similar events; and other risk factors, many of which are beyond the control of the Company. Due to the interdependencies and correlation of these factors, the impact of any one material assumption or risk on a forward-looking statement cannot be determined with certainty. Readers are cautioned that the foregoing lists are not exhaustive. For additional information about the principal risks that the Company faces, see "Business Risks and Risk Management" in this MD&A.

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

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

ADDITIONAL INFORMATION

ATCO has published its 2021 Consolidated Financial Statements and MD&A for the year ended December 31, 2021. Copies of these documents may be obtained upon request from Investor Relations at 3rd Floor, West Building, 5302 Forand Street S.W., Calgary, Alberta, T3E 8B4, telephone 403-292-7500, fax 403-292-7532 or email investorrelations@atco.com.

GLOSSARY

AESO means Alberta Electric System Operator.

Alberta Utilities means Electricity Distribution, Electricity Transmission, Natural Gas Distribution and Natural Gas Transmission.

AUC means the Alberta Utilities Commission.

Average weekly earnings (AWE) is an indicator of short-term employee earnings growth.

Class I Shares means Class I Non-Voting Shares of the Company.

Class II Shares means Class II Voting Shares of the Company.

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

Company means ATCO Ltd. and, unless the context otherwise requires, includes its subsidiaries and joint arrangements.

Consumer price index (CPI) measures the average change in prices over time that consumers pay for a basket of goods and services.

CO2e means Carbon dioxide equivalent.

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

Earnings means Adjusted Earnings as defined in the Other Financial and Non-GAAP Measures section of this MD&A.

GAAP means Canadian generally accepted accounting principles.

GHG means greenhouse gas.

IFRS means International Financial Reporting Standards.

I-X means the Inflation adjuster (I Factor) and Productivity Adjuster (X Factor).

K Bar means the AUC allowance for capital additions under performance based regulation.

LNG means liquefied natural gas.

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

NCI means non-controlling interest.

PBR means Performance Based Regulation.

RNG means renewable natural gas. It is a renewable fuel produced by capturing methane emissions which would otherwise be released to the atmosphere.

Regulated Utilities means Electricity Distribution, Electricity Transmission, Natural Gas Distribution, Natural Gas Transmission and International Natural Gas Distribution.

APPENDIX 1
FOURTH QUARTER FINANCIAL INFORMATION

Financial information for the three months ended December 31, 2021 and 2020 is shown below.

CONSOLIDATED STATEMENT OF EARNINGS

	Three Months Ended December 31	
(millions of Canadian Dollars except per share data)	**2021**	**2020**
Revenues	**1,270**	1,053
Costs and expenses		
Salaries, wages and benefits	**(151)**	(122)
Energy transmission and transportation	**(69)**	(57)
Plant and equipment maintenance	**(69)**	(44)
Fuel costs	**(46)**	(22)
Purchased power	**(78)**	(55)
Materials and consumables	**(158)**	(93)
Depreciation and amortization	**(156)**	(174)
Franchise fees	**(76)**	(64)
Property and other taxes	**(18)**	(17)
Other	**(100)**	(157)
	(921)	(805)
Earnings from investment in associate company	**3**	7
Earnings from investment in joint ventures	**23**	13
Operating profit	**375**	268
Interest income	**4**	5
Interest expense	**(122)**	(109)
Net finance costs	**(118)**	(104)
Earnings before income taxes	**257**	164
Income taxes	**(68)**	(38)
Earnings for the period	**189**	126
Earnings attributable to:		
Class I and Class II Shares	**99**	66
Non-controlling interests	**90**	60
	189	126
Earnings per Class I and Class II Share	**$0.87**	$0.58
Diluted earnings per Class I and Class II Share	**$0.87**	$0.58

CONSOLIDATED STATEMENT OF CASH FLOWS

(millions of Canadian Dollars)	Three Months Ended December 31 2021	2020
Operating activities		
Earnings for the period	**189**	126
Adjustments to reconcile earnings to cash flows from operating activities	**365**	390
Changes in non-cash working capital	**(12)**	(38)
Cash flows from operating activities	**542**	478
Investing activities		
Additions to property, plant and equipment	**(301)**	(238)
Additions to intangibles	**(29)**	(36)
Acquisition, net of cash acquired	**(84)**	—
Changes in non-cash working capital	**1**	(3)
Investment in joint ventures	**(6)**	—
Other	**99**	(14)
Cash flows used in investing activities	**(320)**	(291)
Financing activities		
Issue of short-term debt	**206**	—
Issue of long-term debt	**57**	19
Repayment of long-term debt	**(203)**	(128)
Net issue (purchase) of shares by subsidiary companies	**2**	(12)
Repayment of lease liabilities	**(5)**	(4)
Issue of equity preferred shares by subsidiary company	**201**	—
Net issue (purchase) of Class I Shares	**2**	(5)
Dividends paid to Class I and Class II Share owners	**(51)**	(50)
Dividends paid to non-controlling interests	**(74)**	(75)
Interest paid	**(117)**	(126)
Other	**(6)**	(2)
Cash flows from (used in) financing activities	**12**	(383)
Increase (decrease) in cash position	**234**	(196)
Foreign currency translation	**(4)**	(2)
Beginning of period	**858**	1,298
End of period	**1,088**	1,100

ATCO always there. anywhere.™

ATCO LTD.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

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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 significant 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]
Chair & Chief Executive Officer

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

February 23, 2022

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, 2021 and 2020, 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).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of earnings for the years ended December 31, 2021 and 2020;
- the consolidated statements of comprehensive income for the years ended December 31, 2021 and 2020;
- the consolidated balance sheets as at December 31, 2021 and 2020;
- the consolidated statements of changes in equity for the years ended December 31, 2021 and 2020;
- the consolidated statements of cash flows for the years ended December 31, 2021 and 2020; and
- the notes to the consolidated financial statements, which include significant accounting policies 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.

PricewaterhouseCoopers LLP

111-5th Avenue SW, Suite 3100, Calgary, Alberta, Canada T2P 5L3
T: +1 403 509 7500, F: +1 403 781 1825

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, 2021. 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
Assessment of retirement benefit obligations *Refer to note 15 – Retirement Benefits and note 23 – Significant Judgments, Estimates and Assumptions to the consolidated financial statements.* The Company maintains registered defined benefit or defined contribution pension plans for most of its employees. It also provides other post-employment benefits for retirees and their dependents. The Company accrues for its obligations under defined benefit pension and other post-employment benefits plans (the retirement benefit obligations). As at December 31, 2021, total accrued benefit obligations were $3,283 million and the market value of plan assets was $3,084 million. These balances are presented net on the consolidated balance sheet, resulting in retirement benefit asset of $93 million and retirement benefit obligations of $292 million. In determining the retirement benefit obligations, management consults with independent actuaries when setting the assumptions used to estimate retirement benefit obligations and the cost of providing retirement benefits during the period. The significant assumptions used by management in determining the Company's retirement benefit obligations include discount rate, long-term inflation rate, future compensation rates, health care cost trend rates and life expectancy rates. We determined that this is a key audit matter due to the significance of the retirement benefit obligations and the significant judgment made by management in estimating the Company's retirement benefit obligations. In addition, our audit effort involved the use of professionals with specialized skill and knowledge in the field of actuarial services.	Our approach to addressing the matter involved the following procedures, among others: • Tested how management determined the retirement benefit obligations, which included the following: – Utilized professionals with specialized skill and knowledge in the field of actuarial services, who assisted in testing management's process for estimating the total accrued benefit obligations, appropriateness of the methodology and assessed the reasonableness of management's assumptions such as: discount rate, long-term inflation rate, future compensation rates, health care costs trend rates and life expectancy rates; – Tested certain underlying data used in the determination of retirement benefit obligations; and – The work of management's independent actuaries was used in performing the procedures to evaluate the reasonableness of the retirement benefit obligations. As a basis for using this work, the competence, capabilities and objectivity of management's independent actuaries were evaluated, the work performed was understood and the appropriateness of the work as audit evidence was evaluated. The procedures performed also included evaluation of the methods and assumptions used by management's independent actuaries, tests of the data used by management's independent actuaries and an evaluation of their findings. • Tested disclosures related to the sensitivity assumptions used in estimating retirement benefit obligations.

Key audit matter	How our audit addressed the key audit matter
Assessment of unbilled revenue related to the Utilities segment *Refer to note 4 – Revenues and note 23 – Significant Judgments, Estimates and Assumptions to the consolidated financial statements.* The Company had $156 million of unbilled revenue related to the Utilities segment as at December 31, 2021. The revenue recognized by the Company includes an estimate of consumption by customers of natural gas and electricity 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 determined that this is 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, 2021 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 meter readings and 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 an opinion or 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, 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 Shannon Ryhorchuk.

[Original signed by "PricewaterhouseCoopers LLP"]

Chartered Professional Accountants

Calgary, Alberta
February 23, 2022

CONSOLIDATED STATEMENTS OF EARNINGS

		Year Ended December 31	
(millions of Canadian Dollars except per share data)	**Note**	**2021**	**2020**
Revenues	4	**4,289**	3,944
Costs and expenses			
Salaries, wages and benefits		**(573)**	(531)
Energy transmission and transportation		**(267)**	(225)
Plant and equipment maintenance		**(211)**	(200)
Fuel costs		**(116)**	(86)
Purchased power		**(296)**	(211)
Materials and consumables		**(420)**	(388)
Depreciation, amortization and impairment	10,11,17	**(717)**	(669)
Franchise fees		**(263)**	(243)
Property and other taxes		**(74)**	(72)
Other	5	**(387)**	(298)
		(3,324)	(2,923)
Earnings from investment in associate company	25	**13**	15
Earnings from investment in joint ventures	27	**62**	34
Operating profit		**1,040**	1,070
Interest income		**14**	18
Interest expense	6	**(437)**	(425)
Net finance costs		**(423)**	(407)
Earnings before income taxes		**617**	663
Income tax expense	7	**(148)**	(166)
Earnings for the year		**469**	497
Earnings attributable to:			
Class I and Class II Shares		**246**	252
Non-controlling interests	28	**223**	245
		469	497
Earnings per Class I and Class II Share	8	**$2.16**	$2.21
Diluted earnings per Class I and Class II Share	8	**$2.15**	$2.20

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(millions of Canadian Dollars)	Note	Year Ended December 31 2021	2020
Earnings for the year		**469**	497
Other comprehensive income, net of income taxes			
Items that will not be reclassified to earnings:			
Re-measurement of retirement benefits [(1)]	15	**189**	2
Items that are or may be reclassified subsequently to earnings:			
Cash flow hedges [(2)]		**60**	(13)
Foreign currency translation adjustment [(3)]		**(76)**	25
Share of other comprehensive loss in associate company [(3)]	25	**(7)**	(2)
		(23)	10
Other comprehensive income		**166**	12
Comprehensive income for the year		**635**	509
Comprehensive income attributable to:			
Class I and Class II Shares		**324**	257
Non-controlling interests		**311**	252
		635	509

(1) Net of income taxes of $(56) million for the year ended December 31, 2021 (2020 - nil).

(2) Net of income taxes of $(21) million for the year ended December 31, 2021 (2020 - $6 million).

(3) Net of income taxes of nil.

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

		December 31	
(millions of Canadian Dollars)	Note	2021	2020
ASSETS			
Current assets			
Cash and cash equivalents	19	**1,091**	1,103
Accounts receivable and contract assets	16	**844**	727
Finance lease receivables	17	**12**	9
Inventories	9	**61**	76
Prepaid expenses and other current assets	10	**213**	124
		2,221	2,039
Non-current assets			
Property, plant and equipment	10	**18,791**	18,327
Intangibles	11	**752**	685
Retirement benefit asset	15	**93**	–
Right-of-use assets	17	**87**	97
Goodwill	12	**73**	82
Investment in joint ventures	27	**228**	186
Investment in associate company	25	**445**	460
Finance lease receivables	17	**149**	166
Deferred income tax assets	7	**54**	85
Other assets		**111**	73
Total assets		**23,004**	22,200
LIABILITIES			
Current liabilities			
Bank indebtedness	19	**3**	3
Accounts payable and accrued liabilities		**852**	695
Lease liabilities	17	**14**	16
Provisions and other current liabilities	3	**161**	164
Short-term debt	13	**206**	–
Long-term debt	14	**350**	196
		1,586	1,074
Non-current liabilities			
Deferred income tax liabilities	7	**1,624**	1,443
Retirement benefit obligations	15	**292**	439
Customer contributions	16	**1,870**	1,756
Lease liabilities	17	**76**	84
Other liabilities	3	**105**	132
Long-term debt	14	**9,502**	9,423
Total liabilities		**15,055**	14,351
EQUITY			
Class I and Class II Share owners' equity			
Class I and Class II shares	18	**180**	178
Contributed surplus		**8**	6
Retained earnings		**3,962**	3,880
Accumulated other comprehensive loss		**(39)**	(12)
		4,111	4,052
Non-controlling interests	28	**3,838**	3,797
Total equity		**7,949**	7,849
Total liabilities and equity		**23,004**	22,200

See accompanying Notes to Consolidated Financial Statements.

[Original signed by N.C. Southern]
DIRECTOR

[Original signed by R.J. Routs]
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	Total	Non-Controlling Interests	Total Equity
December 31, 2019		173	12	3,832	(17)	4,000	3,858	7,858
Earnings for the year		_	_	252	_	252	245	497
Other comprehensive income		_	_	_	5	5	7	12
Gains on retirement benefits transferred to retained earnings	15	_	_	2	(2)	_	_	_
Shares issued	18	1	_	_	_	1	_	1
Shares purchased and cancelled	18,28	_	_	(6)	_	(6)	(13)	(19)
Dividends	18,28	_	_	(200)	_	(200)	(301)	(501)
Share-based compensation	29	4	(6)	3	_	1	_	1
Changes in ownership interest in subsidiary company [1]		_	_	(3)	1	(2)	2	_
Other		_	_	_	1	1	(1)	_
December 31, 2020		178	6	3,880	(12)	4,052	3,797	7,849
Earnings for the year		_	_	**246**	_	**246**	**223**	**469**
Other comprehensive income		_	_	_	**78**	**78**	**88**	**166**
Gains on retirement benefits transferred to retained earnings	15	_	_	**104**	**(104)**	_	_	_
Net issuance of equity preferred shares issued by subsidiary company	28	_	_	_	_	_	**88**	**88**
Shares issued	18,28	**2**	_	_	_	**2**	**2**	**4**
Shares purchased and cancelled	18,28	_	_	**(9)**	_	**(9)**	**(119)**	**(128)**
Dividends	18,28	_	_	**(205)**	_	**(205)**	**(297)**	**(502)**
Share-based compensation	29	_	**2**	**1**	_	**3**	**(1)**	**2**
Changes in ownership interest in subsidiary company [1]		_	_	**(56)**	_	**(56)**	**56**	_
Other		_	_	**1**	**(1)**	_	**1**	**1**
December 31, 2021		**180**	**8**	**3,962**	**(39)**	**4,111**	**3,838**	**7,949**

(1) The changes in ownership interest in subsidiary company are due to Canadian Utilities Limited's purchases of Class A shares under the normal course issuer bid program.

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(millions of Canadian Dollars)	Note	Year Ended December 31 2021	2020
Operating activities			
Earnings for the year		**469**	497
Adjustments to reconcile earnings to cash flows from operating activities	19	**1,391**	1,307
Changes in non-cash working capital	19	**4**	39
Cash flows from operating activities		**1,864**	1,843
Investing activities			
Additions to property, plant and equipment		**(1,200)**	(940)
Proceeds on disposal of property, plant and equipment		**30**	7
Additions to intangibles		**(146)**	(88)
Acquisition, net of cash acquired	24	**(84)**	–
Investment in joint ventures	27	**(27)**	(9)
Changes in non-cash working capital	19	**8**	(4)
Other	3,10	**36**	(27)
Cash flows used in investing activities		**(1,383)**	(1,061)
Financing activities			
Issue of short-term debt	13	**206**	–
Issue of long-term debt	14,19	**534**	348
Repayment of long-term debt	14,19	**(261)**	(219)
Issue of equity preferred shares by subsidiary company	28	**201**	–
Redemption of equity preferred shares by subsidiary company	28	**(110)**	–
Repayment of lease liabilities	17	**(19)**	(18)
Net purchase of shares by subsidiary company		**(117)**	(12)
Net purchase of Class I Shares	18	**(7)**	(5)
Dividends paid to Class I and Class II Share owners	18	**(205)**	(200)
Dividends paid to non-controlling interests	28	**(297)**	(301)
Interest paid		**(401)**	(413)
Other		**(10)**	(3)
Cash flows used in financing activities		**(486)**	(823)
Decrease in cash position [(1)]		**(5)**	(41)
Foreign currency translation		**(7)**	1
Beginning of year		**1,100**	1,140
End of year	19	**1,088**	1,100

(1) Cash position includes $18 million which is not available for general use by the Company (2020 - $39 million).

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021

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

1. THE COMPANY AND ITS OPERATIONS

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

ATCO Ltd. is engaged in the following business activities:

- Structures & Logistics (workforce and residential housing, innovative modular facilities, construction, site support services, workforce lodging services, facility operations and maintenance, defence operations services, and disaster and emergency management services);
- Canadian Utilities Limited, including:
    - Utilities (electricity and natural gas transmission and distribution, and international electricity operations);
    - Energy Infrastructure (electricity generation, energy storage and industrial water solutions);
    - 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) (see Note 25).

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 operations, its equity-accounted investments in joint ventures (see Note 27) and its equity-accounted investment in associate company (see Note 25). In these financial statements, "the Company" means ATCO Ltd., its subsidiaries, joint arrangements 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 (IASB) and interpretations of the IFRS Interpretations Committee (IFRIC).

The Board of Directors (Board) authorized these consolidated financial statements for issue on February 23, 2022.

BASIS OF MEASUREMENT

The consolidated financial statements are prepared on a historic cost basis, except for 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 significant 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 significantly affect how policies are applied, amounts in the consolidated financial statements are reported, and 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 significant judgments, estimates and assumptions are described in Note 23.

ADOPTION OF NEW ACCOUNTING INTERPRETATION

In April 2021, the IFRS Interpretations Committee published a final agenda decision with respect to recognition of certain configuration and customization expenditures related to cloud computing with retrospective application. Costs that do not meet the capitalization criteria should be expensed as incurred. Any changes resulting from the decision were required to be implemented by December 31, 2021.

The analysis of the impacts of the decision did not result in a material change to the consolidated financial statements for the year ended December 31, 2021.

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 Chair and 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:

<table>
<tr><td colspan="3">Structures & Logistics</td><td>The Structures & Logistics segment includes ATCO Structures & Logistics. This company 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.</td></tr>
<tr><td rowspan="4">Canadian Utilities Limited</td><td rowspan="2">Utilities</td><td>Electricity</td><td>The Utilities (Electricity) segment includes ATCO Electric, which provides regulated electricity transmission and distribution services in northern and central east Alberta, the Yukon and the Northwest Territories and the Company's 50 per cent ownership interest in LUMA Energy LLC which provides international electricity operations (see Note 26).</td></tr>
<tr><td>Natural Gas</td><td>The Utilities (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.</td></tr>
<tr><td colspan="2">Energy Infrastructure</td><td>The Energy Infrastructure segment includes ATCO Power (2010), 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, Australia, Mexico and Chile.</td></tr>
<tr><td colspan="2">Corporate & Other</td><td>Canadian Utilities Limited Corporate & Other includes intersegment eliminations and ATCO Energy, a retail electricity and natural gas business, and a whole-home solution provider.</td></tr>
<tr><td colspan="3">Neltume Ports</td><td>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 seventeen port facilities and six port operation services businesses located in Chile, Uruguay, Argentina, Brazil and the United States.</td></tr>
<tr><td colspan="3">Corporate & Other</td><td>ATCO Corporate & Other includes commercial real estate owned by the Company, intersegment eliminations and Ashcor, a business engaged in the processing and marketing of live ash and ash reclaimed from landfill .</td></tr>
</table>

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

2021 2020	Structures & Logistics	Neltume Ports	Corporate & Other	Canadian Utilities Limited: Utilities (1)	Canadian Utilities Limited: Energy Infrastructure	Canadian Utilities Limited: Corporate & Other	Canadian Utilities Limited: Consolidated	ATCO Consolidated
Revenues - external	**777**	**–**	**(3)**	**3,030**	**162**	**323**	**3,515**	**4,289**
	714	–	(3)	2,907	149	177	3,233	3,944
Revenues - intersegment	**–**	**–**	**–**	**11**	**47**	**(58)**	**–**	**–**
	–	–	–	25	46	(71)	–	–
Revenues	**777**	**–**	**(3)**	**3,041**	**209**	**265**	**3,515**	**4,289**
	714	–	(3)	2,932	195	106	3,233	3,944
Operating expenses (2)	**(653)**	**–**	**28**	**(1,513)**	**(180)**	**(289)**	**(1,982)**	**(2,607)**
	(595)	–	23	(1,408)	(159)	(115)	(1,682)	(2,254)
Depreciation, amortization and impairment	**(59)**	**–**	**(7)**	**(599)**	**(42)**	**(10)**	**(651)**	**(717)**
	(52)	–	(7)	(568)	(20)	(22)	(610)	(669)
Earnings from investment in associate company	**–**	**13**	**–**	**–**	**–**	**–**	**–**	**13**
	–	15	–	–	–	–	–	15
Earnings from investment in joint ventures	**3**	**–**	**1**	**47**	**11**	**–**	**58**	**62**
	3	–	–	14	17	–	31	34
Net finance costs	**(7)**	**–**	**(14)**	**(381)**	**(18)**	**(3)**	**(402)**	**(423)**
	(7)	–	(14)	(373)	(10)	(3)	(386)	(407)
Earnings (loss) before income taxes	**61**	**13**	**5**	**595**	**(20)**	**(37)**	**538**	**617**
	63	15	(1)	597	23	(34)	586	663
Income tax (expense) recovery	**(14)**	**–**	**4**	**(136)**	**(6)**	**4**	**(138)**	**(148)**
	(14)	–	–	(145)	(7)	–	(152)	(166)
Earnings (loss) for the year	**47**	**13**	**9**	**459**	**(26)**	**(33)**	**400**	**469**
	49	15	(1)	452	16	(34)	434	497
Adjusted earnings (loss)	**53**	**13**	**6**	**336**	**15**	**(41)**	**310**	**382**
	57	15	–	305	15	(40)	280	352
Total assets	**1,032**	**448**	**449**	**18,984**	**1,194**	**897**	**21,075**	**23,004**
	1,069	460	375	18,310	993	993	20,296	22,200
Capital expenditures (3)	**114**	**–**	**11**	**1,097**	**120**	**10**	**1,227**	**1,352**
	125	–	13	876	19	8	903	1,041

(1) Includes the collective results of the Electricity and the Natural Gas operating segments. Details of the results by operating segments included in the Utilities 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 $6 million of interest capitalized during construction for the year ended December 31, 2021 (2020 - $13 million).

Results of the operating segments included in the Utilities for the year ended December 31 are shown below.

2021	Utilities			
2020	Electricity	Natural Gas	Intersegment eliminations	Consolidated
Revenues - external	**1,402**	**1,628**	–	**3,030**
	1,368	1,539	–	2,907
Revenues - intersegment	**12**	**4**	**(5)**	**11**
	19	9	(3)	25
Revenues	**1,414**	**1,632**	**(5)**	**3,041**
	1,387	1,548	(3)	2,932
Operating expenses (1)	**(575)**	**(943)**	**5**	**(1,513)**
	(545)	(866)	3	(1,408)
Depreciation and amortization	**(322)**	**(277)**	–	**(599)**
	(309)	(259)	–	(568)
Earnings from investment in joint ventures	**47**	–	–	**47**
	14	–	–	14
Net finance costs	**(232)**	**(149)**	–	**(381)**
	(229)	(144)	–	(373)
Earnings before income taxes	**332**	**263**	–	**595**
	318	279	–	597
Income tax expense	**(71)**	**(65)**	–	**(136)**
	(77)	(68)	–	(145)
Earnings for the year	**261**	**198**	–	**459**
	241	211	–	452
Adjusted earnings	**184**	**152**	–	**336**
	166	139	–	305
Total assets	**10,405**	**8,581**	**(2)**	**18,984**
	10,326	7,985	(1)	18,310
Capital expenditures (2)	**350**	**747**	–	**1,097**
	366	510	–	876

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

(2) Includes additions to property, plant and equipment, intangibles and $6 million of interest capitalized during construction for the year ended December 31, 2021 (2020 - $12 million).

GEOGRAPHIC SEGMENTS

Financial information by geographic area is summarized below.

Revenues - external

	2021	2020
Canada	**3,678**	3,428
Australia	**374**	385
Other	**237**	131
Total	**4,289**	3,944

Non-current assets

	Property, Plant and Equipment		Intangible Assets		Other Assets (1)		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Canada	**17,177**	16,567	**732**	660	**337**	277	**18,246**	17,504
Australia	**1,370**	1,402	**11**	13	**40**	53	**1,421**	1,468
South America	**43**	44	**1**	1	**435**	461	**479**	506
Other	**201**	314	**8**	11	**5**	4	**214**	329
Total	**18,791**	18,327	**752**	685	**817**	795	**20,360**	19,807

(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.

2021 2020	**Structures & Logistics**	**Neltume Ports**	**Corporate & Other**	**Canadian Utilities Limited** Utilities	**Energy Infrastructure**	**Corporate & Other**	**Consolidated**	**ATCO Consolidated**
Adjusted earnings (loss)	**53**	**13**	**6**	**336**	**15**	**(41)**	**310**	**382**
	57	15	–	305	15	(40)	280	352
Transition of managed IT services	**(2)**	**–**	**–**	**(20)**	**(1)**	**(1)**	**(22)**	**(24)**
	(3)	–	–	(26)	(1)	(2)	(29)	(32)
AUC enforcement proceeding	**–**	**–**	**–**	**(7)**	**–**	**–**	**(7)**	**(7)**
	–	–	–	–	–	–	–	–
Impairment and other costs	**–**	**–**	**1**	**–**	**(34)**	**–**	**(34)**	**(33)**
	(5)	–	–	(4)	(2)	(9)	(15)	(20)
Unrealized losses on mark-to-market forward and swap commodity contracts	**–**	**–**	**–**	**–**	**(1)**	**(9)**	**(10)**	**(10)**
	–	–	–	–	(2)	(2)	(4)	(4)
Rate-regulated activities	**–**	**–**	**–**	**(64)**	**–**	**–**	**(64)**	**(64)**
	–	–	–	(34)	–	2	(32)	(32)
Project cost recovery	**–**	**–**	**–**	**–**	**9**	**–**	**9**	**9**
	–	–	–	–	–	–	–	–
IT Common Matters decision	**–**	**–**	**–**	**(7)**	**–**	**–**	**(7)**	**(7)**
	–	–	–	(10)	–	–	(10)	(10)
Other	**–**	**–**	**2**	**–**	**(2)**	**–**	**(2)**	**–**
	–	–	(1)	–	(1)	–	(1)	(2)
Earnings (loss) attributable to Class I and Class II Shares	**51**	**13**	**9**	**238**	**(14)**	**(51)**	**173**	**246**
	49	15	(1)	231	9	(51)	189	252
Earnings attributable to non-controlling interests								**223**
								245
Earnings for the year								**469**
								497

Transition of managed IT services

In 2020, and in the first quarter of 2021, the Company signed Master Services Agreements (MSA) with IBM Canada Ltd. (subsequently novated to Kyndryl Canada Ltd.) and IBM Australia Limited (IBM), respectively, to provide managed information technology (IT) services. These services were previously provided by Wipro Ltd. (Wipro) under a ten-year MSA expiring in December 2024. The transition of the managed IT services from Wipro to IBM commenced on February 1, 2021 and was complete at December 31, 2021.

In 2020, and during the first quarter of 2021, the Company recognized onerous contract provisions of $75 million ($32 million after-tax and non-controlling interests (NCI)) and $6 million ($2 million after-tax and NCI), respectively, which represents management's best estimate of the costs to exit the Wipro MSAs. The provisions are included in provisions and other current liabilities in the consolidated balance sheets. The provision of $6 million was recorded in the first quarter of 2021 and is included in other expenses in the consolidated statements of earnings for the year ended December 31, 2021. The onerous contract provision is not in the normal course of business and has been excluded from adjusted earnings.

In addition, the Company recognized transition costs of $52 million ($22 million after-tax and NCI) in 2021. The transition costs related to activities to transfer the managed IT services from Wipro to IBM. As these costs are not in the normal course of business, they have been excluded from adjusted earnings.

Alberta Utilities Commission (AUC) enforcement proceeding

On November 29, 2021, the AUC enforcement branch filed an application with the AUC recommending an enforcement proceeding be initiated. This proceeding is to determine whether ATCO Electric Transmission failed to comply with AUC decisions and enactments under the AUC's jurisdiction with respect to the sole source contract for the Jasper interconnection project and the actions leading up to and including the filing of the 2018-2020 Deferral Account Application. This proceeding will also determine any future remedies that may be required.

AUC Enforcement and Electricity Transmission are pursuing settlement discussions prior to the AUC determining the next process steps. In 2021, the Company recognized expenses of $16 million ($7 million after-tax and NCI) related to the potential outcome of the proceeding. As this proceeding is not in the normal course of business, these costs have been excluded from adjusted earnings.

Impairment and other costs recorded in 2021

In 2021, impairments and other costs not in the normal course of business of $33 million after tax and NCI were recorded, mainly in Mexico, related to Energy Infrastructure's Veracruz hydro facility in the amount of $28 million after tax and NCI. Other costs recorded were individually immaterial.

The charge reflects an adverse arbitration decision, changes in market regulations, ongoing political uncertainty, and a challenging operating environment, resulting in an impairment of the carrying value of the assets.

The recoverable amount of Energy Infrastructure's Veracruz hydro facility was determined based on fair value less costs of disposal. The expected future cash flows were estimated under an assumption of 43 years of operations, representing the useful life of the Veracruz hydro facility, and were discounted at an after-tax rate of approximately 10 per cent. The fair value measurement is categorized as level 3 on the fair value hierarchy. The recoverable amount of Energy Infrastructure's Veracruz hydro facility was estimated to be $22 million.

As the charges relate to impairments, they have been excluded from adjusted earnings.

Impairment and other costs recorded in 2020

In 2020, impairment and other costs not in the normal course of business of $20 million, after tax and NCI, were recorded. These costs mainly related to certain assets that no longer represent strategic value to the Company.

Canadian Utilities' subsidiary ATCO Oil & Gas Ltd. holds a five per cent working interest in oil and gas assets in Northern Canada. With oil price volatility and the COVID-19 pandemic continuing to cause economic uncertainty, an impairment of $9 million was recorded in 2020, reflecting the reduced likelihood of future recovery of these costs. The fair value measurement was categorized as level 3 on the fair value hierarchy. The recoverable amount of the oil and gas assets was estimated to be nil.

ATCO Structures & Logistics Ltd. closed its manufacturing facility located in Pocatello, Idaho, relocated materials and equipment to its manufacturing facilities in Calgary, Alberta and Diboll, Texas and recorded $3 million in one-time closure costs.

The remaining costs mainly related to the continued transformation and realignment of certain functions in the Company, as well as an adjustment to certain real estate assets in small markets within the Company's real estate portfolio due to continued low prices and economic uncertainty.

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 the fixed-price swap commodity contracts are recognized in the earnings of the Corporate & Other segment.

The CODM believes that removal of the unrealized gains or 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 and its subsidiaries, ATCO Electric Yukon, Northland Utilities (NWT) and Northland Utilities (Yellowknife), as well as ATCO Gas, ATCO Pipelines and ATCO Gas Australia are collectively referred to as the Regulated Utilities.

There is currently no specific guidance under IFRS for rate-regulated entities that the Company is eligible to adopt. In the absence of this guidance, the Regulated Utilities do not recognize assets and liabilities from rate-regulated activities as may be directed by regulatory decisions. Instead, the Regulated Utilities recognize revenues in earnings when amounts are billed to customers, consistent with the regulator-approved rate design. Operating costs and expenses are recorded when incurred. Costs incurred in constructing an asset that meet the asset recognition criteria are included in the related property, plant and equipment or intangible asset.

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

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

	Timing Adjustment	Items	RRA Treatment	IFRS Treatment
1.	Additional revenues billed in current 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.
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 are as follows:

	2021	2020
Additional revenues billed in current period		
Future removal and site restoration costs (1)	**56**	41
Impact of colder temperatures (2)	**–**	1
Revenues to be billed in future periods		
Deferred income taxes (3)	**(56)**	(55)
Distribution rate relief (4)	**(63)**	–
Impact of warmer temperatures (2)	**(1)**	–
Impact of inflation on rate base (5)	**(17)**	(3)
Settlement of regulatory decisions and other items (6)	**17**	(16)
	(64)	(32)

(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 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) In 2021, in response to the ongoing COVID-19 Pandemic, ATCO Electric Distribution and ATCO Gas Distribution applied for interim rate relief for customers to hold current distribution base rates in place. Following approval by the AUC, ATCO Electric Distribution and ATCO Gas Distribution recorded a decrease in earnings $63 million. This will be recovered from customers in 2022 and 2023.

(5) 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 assets.

(6) In 2021, ATCO Gas Distribution collected $28 million related to depreciation and transmission rate riders which was partly offset by a decrease in earnings of $15 million related to payments of transmission costs. In 2020, ATCO Electric Distribution recorded a decrease in earnings of $14 million related to payments to customers for transmission costs and capital related items.

Project cost recovery

During the fourth quarter of 2021, the Company recorded earnings of $9 million ($110 million in project costs recovered net of abandonment costs, accretion, income taxes and NCI of $101 million) following the conclusion of the Company's involvement in an international project. As these are not a result of day-to-day operations they have been excluded from adjusted earnings.

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 2021 was $7 million (2020 - $10 million).

Other

The Company adjusts the deferred tax asset which was recognized as a result of the 2015 Tula Pipeline Project impairment. In 2021, the Company recorded a foreign exchange loss of $2 million after tax and NCI (2020 - a foreign exchange loss of $1 million) due to a difference between the tax base currency, which is the Mexican peso, and the U.S. dollar functional currency.

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:

2021 2020	Structures & Logistics	Utilities: Electricity [1]	Utilities: Natural Gas [1]	Utilities: Total	Energy Infrastructure	Corporate & Other [2]	Consolidated
Revenue Streams							
Rendering of Services							
Distribution services	–	**548**	**1,036**	**1,584**	–	–	**1,584**
	–	531	969	1,500	–	–	1,500
Transmission services	–	**712**	**308**	**1,020**	–	–	**1,020**
	–	716	296	1,012	–	–	1,012
Modular structures - services	**183**	–	–	–	–	–	**183**
	276	–	–	–	–	–	276
Logistics and facility operations and maintenance services	**104**	–	–	–	–	–	**104**
	97	–	–	–	–	–	97
Lodging and support	**92**	–	–	–	–	–	**92**
	90	–	–	–	–	–	90
Customer contributions	–	**33**	**22**	**55**	–	–	**55**
	–	34	22	56	–	–	56
Franchise fees	–	**34**	**229**	**263**	–	–	**263**
	–	31	212	243	–	–	243
Retail electricity and natural gas services	–	–	–	–	–	**304**	**304**
	–	–	–	–	–	162	162
Storage and industrial water	–	–	–	–	**28**	–	**28**
	–	–	–	–	27	–	27
Total rendering of services	**379**	**1,327**	**1,595**	**2,922**	**28**	**304**	**3,633**
	463	1,312	1,499	2,811	27	162	3,463
Sale of Goods							
Electricity generation and delivery	–	–	–	–	**38**	–	**38**
	–	–	–	–	31	–	31
Commodity sales	–	–	–	–	**52**	**11**	**63**
	–	–	–	–	28	8	36
Modular structures - goods	**241**	–	–	–	–	–	**241**
	124	–	–	–	–	–	124
Total sale of goods	**241**	–	–	–	**90**	**11**	**342**
	124	–	–	–	59	8	191
Lease income							
Finance lease	–	–	–	–	**16**	–	**16**
	1	–	–	–	17	–	18
Operating lease	**157**	–	–	–	–	–	**157**
	126	–	–	–	–	–	126
Total lease income	**157**	–	–	–	**16**	–	**173**
	127	–	–	–	17	–	144
Other	–	**75**	**33**	**108**	**28**	**5**	**141**
	–	56	40	96	46	4	146
Total	**777**	**1,402**	**1,628**	**3,030**	**162**	**320**	**4,289**
	714	1,368	1,539	2,907	149	174	3,944

(1) For the year ended December 31, 2021, Electricity and Natural Gas segments include $156 million of unbilled revenue (2020 - $132 million). At December 31, 2021, $156 million of the unbilled revenue is included in trade accounts receivable and contract assets (2020 - $132 million).

(2) Includes revenues from the Corporate & Other in Canadian Utilities Limited 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, 2021, the most significant remaining performance obligations are as follows:

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

(ii) provision of storage and industrial water services over the life of a contract that in aggregate approximates $0.3 billion. The Company expects that approximately 7 per cent of the amount will be recognized as revenue during the year ending December 31, 2022; and

(iii) manufacturing of transportable workforce housing and space rental products under the terms of fixed price contracts that in aggregate approximates $0.2 billion. The Company expects that approximately 75 per cent will be recognized as revenue during the year ending December 31, 2022.

5. OTHER COSTS AND EXPENSES

In addition to rent, utilities, and goods and services such as professional fees, contractor costs, technology related expenses, advertising and other general and administrative expenses, in 2021, other costs and expenses included costs related to the transition of managed information technology services of $58 million (2020 - $75 million) (see Note 3).

6. INTEREST EXPENSE

Interest expense primarily arises from interest on long-term debentures. The components of interest expense are summarized below.

	2021	2020
Long-term debt	**409**	413
Retirement benefits interest expense	**13**	14
Accretion expense on asset retirement obligation	**10**	1
Amortization of deferred financing charges	**4**	3
Short-term debt	**2**	1
Interest expense on lease liabilities *(Note 17)*	**3**	3
Other	**2**	3
	443	438
Less: interest capitalized *(Notes 10, 11)*	**(6)**	(13)
	437	425

Borrowing costs capitalized to property, plant and equipment and intangibles during 2021 were calculated by applying a weighted average interest rate of 4.31 per cent (2020 - 4.45 per cent) to expenditures on qualifying assets.

7. INCOME TAXES

INCOME TAX EXPENSE

The income tax rate for 2021 is 23.0 per cent (2020 - 24.0 per cent).

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

	2021	2020
Current income tax expense		
Canada	**48**	40
Australia	**(18)**	(10)
United States	**(2)**	10
Other	**(2)**	3
Adjustment in respect of prior years	**6**	(4)
	32	39
Deferred income tax expense		
Reversal of temporary differences	**122**	119
Change in income taxes resulting from decrease in provincial corporate tax rate	**1**	5
Adjustment in respect of prior years	**(7)**	3
	116	127
	148	166

The reconciliation of statutory and effective income tax expense is as follows:

		2021		2020
Earnings before income taxes	**617**	**%**	663	%
Income taxes, at statutory rates	**142**	**23.0**	159	24.0
Equity earnings	**(12)**	**(1.9)**	(8)	(1.2)
Unrecognized deferred income tax assets	**14**	**2.3**	12	1.8
Tax cost on equity preferred shares financing	**5**	**0.8**	5	0.8
International financing	**(5)**	**(0.8)**	–	–
Change in income taxes resulting from decrease in provincial corporate tax rate	**1**	**0.2**	5	0.8
Other	**3**	**0.4**	(7)	(1.2)
	148	**24.0**	166	25.0

INCOME TAX ASSETS AND LIABILITIES

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

	Balance Sheet Presentation	2021	2020
Income tax assets			
Current	Prepaid expenses and other current assets	**42**	47
Deferred	Deferred income tax assets	**54**	85
		96	132
Income tax liabilities			
Current	Provisions and other current liabilities	**12**	37
Deferred	Deferred income tax liabilities	**1,624**	1,443
		1,636	1,480

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, 2019	(9)	(2)	4	69	18	3	83
Credit (charge) to earnings	20	1	(4)	(13)	(6)	2	–
Charge to other comprehensive income	–	–	(1)	–	–	–	(1)
Business combinations	–	–	–	1	–	–	1
Foreign exchange adjustment	–	–	–	–	–	1	1
Other	–	–	–	–	–	1	1
December 31, 2020	11	(1)	(1)	57	12	7	85
(Charge) credit to earnings	**(13)**	**1**	**7**	**(10)**	**(1)**	**2**	**(14)**
Charge to other comprehensive income	–	–	**(12)**	–	**(1)**	–	**(13)**
Other	–	–	–	–	–	**(4)**	**(4)**
December 31, 2021	**(2)**	–	**(6)**	**47**	**10**	**5**	**54**

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, 2019	1,430	97	(14)	(83)	(127)	16	1,319
Charge (credit) to earnings	190	9	(12)	(20)	(10)	(35)	122
Credit to other comprehensive income	–	–	(7)	–	–	–	(7)
Change in income taxes resulting from decrease in provincial corporate tax rate	–	–	–	5	–	–	5
Foreign exchange adjustment	4	–	–	1	–	(2)	3
Other	–	–	–	–	–	1	1
December 31, 2020	1,624	106	(33)	(97)	(137)	(20)	1,443
Charge (credit) to earnings	**123**	**(1)**	**(1)**	**8**	**2**	**(28)**	**103**
Charge to other comprehensive income	–	–	**9**	–	**55**	–	**64**
Change in income taxes resulting from decrease in provincial corporate tax rate	**(1)**	–	–	–	–	–	**(1)**
Acquisition (*Note 24*)	**24**	–	–	–	–	–	**24**
Foreign exchange adjustment	**(6)**	–	–	–	–	**1**	**(5)**
Other	**(2)**	–	–	–	–	**(2)**	**(4)**
December 31, 2021	**1,762**	**105**	**(25)**	**(89)**	**(80)**	**(49)**	**1,624**

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

At December 31, 2021, the Company had $614 million of non-capital tax losses and credits which expire between 2025 and 2041 and $31 million of tax losses which do not expire. The Company recognized deferred income tax assets of $136 million for these losses and credits.

The Company had $110 million of aggregate temporary differences for investments in subsidiaries, branches and joint ventures for which deferred income tax liabilities were not recognized (2020 - $125 million). The Company had $95 million of aggregate temporary differences for which no deferred tax assets were recognized (2020 - $87 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 under the Company's mid-term incentive plan (MTIP) on the weighted average Class I and Class II Shares outstanding.

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

	2021	2020
Average shares		
Weighted average shares outstanding	**114,171,978**	114,396,312
Effect of dilutive stock options	**35,451**	50,697
Effect of dilutive MTIP	**242,222**	265,547
Weighted average dilutive shares outstanding	**114,449,651**	114,712,556
Earnings for earnings per share calculation		
Earnings for the year	**469**	497
Non-controlling interests	**(223)**	(245)
Earnings attributable to Class I and Class II Shares	**246**	252
Earnings and diluted earnings per Class I and Class II Share		
Earnings per Class I and Class II Share	**$2.16**	$2.21
Diluted earnings per Class I and Class II Share	**$2.15**	$2.20

9. INVENTORIES

Inventories at December 31 are comprised of:

	2021	2020
Natural gas and fuel in storage	**15**	20
Raw materials and consumables	**17**	38
Work-in-progress	**25**	15
Finished goods	**4**	3
	61	76

For the year ended December 31, 2021, inventories of $285 million were used in operations and expensed (2020 - $256 million).

Inventories with a carrying value of $12 million were pledged as security for liabilities at December 31, 2021 (2020 - $11 million).

10. PROPERTY, PLANT AND EQUIPMENT

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

	Utility Transmission & Distribution	Energy Infrastructure	Land and Buildings	Construction Work-in-Progress	Rental Assets	Other	Total
Cost							
December 31, 2019	20,082	389	996	751	589	859	23,666
Additions	46	5	2	823	72	26	974
Transfers	855	8	7	(922)	20	32	–
Retirements and disposals	(75)	(1)	(18)	1	(65)	(30)	(188)
Acquisition of ATCO Sabinco (*Note 27*)	–	–	7	–	36	–	43
Changes to asset retirement costs	1	(2)	–	–	–	–	(1)
Foreign exchange rate adjustment	95	(6)	4	(2)	5	3	99
December 31, 2020	21,004	393	998	651	657	890	24,593
Additions	**65**	**–**	**59**	**1,025**	**75**	**(5)**	**1,219**
Transfers	**895**	**8**	**13**	**(1,052)**	**70**	**66**	**–**
Retirements and disposals	**(110)**	**–**	**(3)**	**(175)**	**(66)**	**(44)**	**(398)**
Acquisition (*Note 24*)	**–**	**104**	**2**	**–**	**–**	**–**	**106**
Foreign exchange rate adjustment	**(83)**	**(4)**	**(7)**	**(4)**	**(18)**	**(4)**	**(120)**
Changes to asset retirement costs	**–**	**(1)**	**–**	**–**	**–**	**–**	**(1)**
December 31, 2021	**21,771**	**500**	**1,062**	**445**	**718**	**903**	**25,399**
Accumulated depreciation and impairment							
December 31, 2019	4,720	145	211	78	254	401	5,809
Depreciation and impairment	455	9	21	–	44	73	602
Retirements and disposals	(75)	–	(18)	–	(45)	(30)	(168)
Foreign exchange rate adjustment	19	(1)	2	(1)	2	2	23
December 31, 2020	5,119	153	216	77	255	446	6,266
Depreciation and impairment	**486**	**32**	**27**	**69**	**41**	**55**	**710**
Retirements and disposals	**(110)**	**–**	**(3)**	**(148)**	**(34)**	**(44)**	**(339)**
Foreign exchange rate adjustment	**(17)**	**(1)**	**(2)**	**–**	**(6)**	**(3)**	**(29)**
December 31, 2021	**5,478**	**184**	**238**	**(2)**	**256**	**454**	**6,608**
Net book value							
December 31, 2020	15,885	240	782	574	402	444	18,327
December 31, 2021	**16,293**	**316**	**824**	**447**	**462**	**449**	**18,791**

In 2021, the Company reorganized the groups of property, plant and equipment to align presentation with the reportable segments. This resulted in reclassification of comparative figures to conform to the current presentation.

The additions to property, plant and equipment included $2 million of interest capitalized during construction for the year ended December 31, 2021 (2020 - $10 million).

PIONEER NATURAL GAS PIPELINE ACQUISITION

In 2020, ATCO Gas and Pipelines Ltd., a wholly owned subsidiary of CU Inc., entered into an agreement to acquire the Pioneer Pipeline from Tidewater Midstream & Infrastructure Ltd. and its partner TransAlta Corporation, subject to customary conditions including regulatory approvals by the Alberta Utilities Commission (AUC) and Canada Energy Regulator.

The 131 km natural gas pipeline runs from the Drayton Valley area to the Wabamum area west of Edmonton. On June 15, 2021, the AUC issued a decision approving the acquisition of the Pioneer Pipeline and associated costs, totaling $265 million.

Consistent with the geographic areas defined in the Integration Agreement, ATCO Gas and Pipelines Ltd. will transfer to Nova Gas Transmission Ltd. (NGTL) the 30 km segment of pipeline that is located in the NGTL footprint for approximately $65 million.

The transaction to acquire the Pioneer Pipeline closed in 2021. The transfer to NGTL received approval from the Canada Energy Regulator on December 22, 2021, and is expected to close in the first quarter of 2022. As a result, $197 million was recorded in additions to property, plant and equipment in the consolidated balance sheets and the consolidated statements of cash flows. The costs incurred for the segment of the pipeline that will be sold to NGTL, amounting to $64 million, were recorded as assets held-for-sale in prepaid expenses and other current assets in the consolidated balance sheets, and were included in other investing activities in the consolidated statements of cash flows. Pipeline integration costs of $1 million are expected to be incurred in the first half of 2022, which would result in total costs of $262 million, $3 million less than the approved amount of $265 million.

ATCO Gas and Pipelines Ltd. applied the optional IFRS 3 *Business combinations* concentration test to the acquisition of the Pioneer Pipeline, which has resulted in the acquired asset being accounted for as an asset acquisition.

IMPAIRMENTS

Impairment recorded in 2021 - Energy Infrastructure Segment

In 2021, impairment of $21 million was recorded in respect of Energy Infrastructure's Veracruz hydro facility. The charge reflects an adverse arbitration decision, changes in market regulations, ongoing political uncertainty, and a challenging operating environment, resulting in an impairment of the carrying value of the assets. The recoverable amount of Energy Infrastructure's Veracruz hydro facility was determined based on fair value less costs of disposal. The expected future cash flows were estimated under an assumption of 43 years of operations, representing the useful life of the Veracruz hydro facility, and were discounted at an after-tax rate of approximately 10 per cent. The fair value measurement is categorized as level 3 on the fair value hierarchy. The recoverable amount of Energy Infrastructure's Veracruz hydro facility was estimated to be $22 million.

Impairment recorded in 2020 - Corporate & Other Segment

ATCO Oil & Gas Ltd., a subsidiary of Canadian Utilities Limited, holds a five per cent working interest in oil and gas assets in Northern Canada. With oil price volatility and the COVID-19 pandemic continuing to cause economic uncertainty (see Note 21), the Company determined that the total net book value of these assets was not recoverable due to reduced likelihood of future development of the assets, and, therefore, impaired these assets in full, recognizing an impairment of $18 million in 2020. The impairment was included in depreciation, amortization and impairment expense. After recognizing the impairment, the recoverable amount of these assets was nil.

11. INTANGIBLES

Intangible assets consist mainly of computer software not directly attributable to the operation of property, plant and equipment and land rights. Goodwill is also an intangible asset. 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, 2019	560	383	81	63	1,087
Additions	1	–	88	1	90
Transfers	58	24	(82)	–	–
Retirements	(177)	–	–	(2)	(179)
Foreign exchange rate adjustment	1	–	–	–	1
December 31, 2020	443	407	87	62	999
Additions	**6**	**1**	**141**	**(2)**	**146**
Transfers	**46**	**24**	**(72)**	**2**	–
Acquisition (*Note 24*)	–	**5**	–	–	**5**
Retirements	**(33)**	–	–	**(2)**	**(35)**
Foreign exchange rate adjustment	**(3)**	–	–	–	**(3)**
December 31, 2021	**459**	**437**	**156**	**60**	**1,112**
Accumulated amortization and impairment					
December 31, 2019	360	53	–	12	425
Amortization	53	7	–	4	64
Retirements	(176)	–	–	–	(176)
Foreign exchange rate adjustment	1	–	–	–	1
December 31, 2020	238	60	–	16	314
Amortization and impairment	**49**	**5**	–	**26**	**80**
Retirements	**(31)**	–	–	**(2)**	**(33)**
Foreign exchange rate adjustment	**(1)**	–	–	–	**(1)**
December 31, 2021	**255**	**65**	–	**40**	**360**
Net book value					
December 31, 2020	205	347	87	46	685
December 31, 2021	**204**	**372**	**156**	**20**	**752**

The additions to intangibles include interest capitalized during construction of $4 million for the year ended December 31, 2021 (2020 - $3 million).

IMPAIRMENT

Energy Infrastructure Segment

In 2021, impairment of $24 million was recorded in respect of Energy Infrastructure's Veracruz hydro facility. The charge reflects an adverse arbitration decision, changes in market regulations, ongoing political uncertainty, and a challenging operating environment, resulting in an impairment of the carrying value of the assets. The recoverable amount of Energy Infrastructure's Veracruz hydro facility was determined based on fair value less costs of disposal. The expected future cash flows were estimated under an assumption of 43 years of operations, representing the useful life of the Veracruz hydro facility, and were discounted at an after-tax rate of approximately 10 per cent. The fair value measurement is categorized as level 3 on the fair value hierarchy. The recoverable amount of Energy Infrastructure's Veracruz hydro facility was estimated to be $22 million.

12. GOODWILL

The carrying value of goodwill for the Utilities and Structures & Logistics segments is shown below.

	2021	2020
Utilities, Electricity	**38**	47
Utilities, Natural gas	**33**	33
Structures & Logistics	**2**	2
Carrying value	**73**	82

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. Each segment’s fair value less costs of disposal is compared to its carrying value and is sufficient to support the carrying value of allocated goodwill.

The Company used an average enterprise value-to-earnings before interest, taxes, depreciation, and amortization of 12.9 and 12.7 (2020 - 11.5 and 9.8) and price-to-earnings value of 26.2 and 24.9 (2020 - 17.0 and 13.3) for the Electricity and Natural gas segments, respectively, to calculate fair value less costs of disposal.

The fair value measurements are categorized in Level 3 of the fair value hierarchy.

13. SHORT-TERM DEBT

At December 31, 2021, the Company had $206 million of commercial paper outstanding at an effective interest rate of 0.32 per cent, maturing in January 2022, issued under a long-term committed credit line (Note 21) (2020 - nil). The outstanding balance was fully repaid in January 2022.

The commercial paper is supported by the Company's long-term committed credit facilities.

14. LONG-TERM DEBT

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

	Effective Interest Rate	2021	2020
CU Inc. debentures - unsecured [1]	4.410% (2020 - 4.487%)	**8,440**	8,140
CU Inc. other long-term obligation, due June 2023 - unsecured [2]	2.45% (2020 - 2.45%)	**7**	6
Canadian Utilities Limited debentures - unsecured, 3.122%, due November 2022	3.187%	**200**	200
ATCO Power Australia credit facility, payable in Australian dollars, at BBSY Rates, due June 2025, secured by a pledge of project assets and contracts, $58 million AUD (2020 - $58 million AUD) [3]	Floating [4]	**47**	56
ATCO Gas Australia revolving credit facility, payable in Australian dollars, at BBSY rates, due August 2024, $350 million AUD (2020 - $275 million AUD) [3]	Floating [4]	**322**	268
ATCO Gas Australia revolving credit facility, payable in Australian dollars, at BBSY rates, due August 2026, $330 million AUD (2020 - $405 million AUD) [3]	Floating [4]	**304**	394
Electricidad del Golfo credit facility, payable in Mexican pesos, at Mexican Interbank rates, due March 2023, $570 million MXP (2020 - $570 million MXP)	Floating [4]	**35**	36
ATCO Investments Ltd. mortgage, at BA rates, payable in Canadian dollars, due March 2028	Floating [4]	**90**	93
ATCO Ltd. extendible revolving credit facility, at BA rates, due November 2024 [3]	Floating	**129**	138
ATCO Ltd. fixed-to-floating rate subordinated notes, due November 2078	5.50% [5]	**200**	200
ATCO Structures & Logistics credit facility, at BA and Libor rates, due August 2023 [3]	Floating	**81**	106
ATCO Structures & Logistics credit facility, at BBSY rates, due July 2025, $31.5 million AUD (2020 - $20 million AUD) [3]	Floating	**29**	20
ATCO Sabinco credit facilities, payable in Chilean pesos, 2.86%, due April 2021, $4 billion CLP (2019 - nil) [6]	3.221%	**–**	7
ATCO Sabinco credit facility, payable in Chilean pesos, 2.88%, due February 2021, $2 billion CLP (2019 - nil) [6]	3.221%	**–**	4
ATCO Sabinco credit facility, payable in Chilean pesos, at Libor rates, due September 2023, $13 billion CLP (2020 - nil) [7]	Floating	**18**	–
Less: deferred financing charges		**(50)**	(49)
		9,852	9,619
Less: amounts due within one year		**(350)**	(196)
		9,502	9,423

BBSY - Bank Bill Swap Benchmark Rate

BA - Bankers' Acceptance

Libor - London Inter-Bank Offered Rate

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

(2) *During 2021, the expiry date of the CU Inc. other long-term obligation was extended from June 2022 to June 2023.*

(3) *During 2021, the above interest rates had additional margin fees at a weighted average rate of 0.92 per cent (2020 - 1.22 per cent). The margin fees are subject to escalation.*

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

(5) *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.*

(6) *ATCO Sabinco credit facilities were acquired as part of the increase in ownership interest in ATCO Sabinco S.A. (see Note 27).*

(7) *During 2021, the above interest rate had an additional margin fee of 2.60 per cent.*

DEBENTURE ISSUANCES AND REPAYMENTS

On September 3, 2021, CU Inc., a wholly owned subsidiary of Canadian Utilities Limited, issued $460 million of 3.174 per cent debentures maturing on September 5, 2051. CU Inc. also repaid repaid $160 million of 4.801 per cent debentures on November 22, 2021.

On September 28, 2020, CU Inc. issued $150 million of 2.609 per cent debentures maturing on September 28, 2050. CU Inc. also repaid $100 million of 11.77 per cent debentures on November 30, 2020.

OTHER LONG-TERM DEBT ISSUANCES AND REPAYMENTS

ATCO Power Australia re-financing

In 2020, ATCO Power Australia, a subsidiary of Canadian Utilities Limited, refinanced its credit facility with a new lender at Bank Bill Swap Benchmark Rate (BBSY) plus margin fee, extending the credit facility's maturity from February 2020 to June 2025. The floating BBSY interest rate is hedged to June 23, 2025 with an interest rate swap agreement which fixes the interest rate at 1.68 per cent.

PLEDGED ASSETS

The ATCO Power Australia credit facility is guaranteed by Canadian Utilities Limited and is secured by a mortgage on certain assets of the Karratha Power Plant and an assignment of certain contracts and agreements. The Karratha Power Plant is accounted for as a finance lease receivable.

The ATCO Investments Limited mortgage is secured by certain of the Company's real estate holdings.

The ATCO Structures & Logistics credit facilities are secured by a general assignment of ATCO Structures & Logistics' present and future property, assets, undertakings and equity interests in certain of its restricted subsidiaries and joint ventures.

At December 31, 2021, the book value of assets pledged to maintain the Company's long-term credit facilities was $825 million (2020 - $860 million).

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, 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 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 are as follows:

	2021		2020	
	Pension Benefit Plans	OPEB Plans	Pension Benefit Plans	OPEB Plans
Market value of plan assets				
Beginning of year	3,105	–	2,903	–
Interest income	**76**	–	87	–
Employee contributions	–	–	1	–
Employer contributions	**12**	–	13	–
Benefit payments	**(138)**	–	(139)	–
Return on plan assets, excluding amounts included in interest income	**29**	–	240	–
End of year	**3,084**	–	3,105	–
Accrued benefit obligations				
Beginning of year	3,405	139	3,207	125
Current service cost	**14**	**3**	16	2
Interest cost	**85**	**4**	97	4
Employee contributions	–	–	1	–
Benefit payments from plan assets	**(138)**	–	(139)	–
Benefit payments by employer	**(9)**	**(4)**	(7)	(4)
Actuarial (gains) losses	**(201)**	**(15)**	226	12
Past service cost	–	–	4	–
End of year (1)	**3,156**	**127**	3,405	139
Funded status				
Net retirement benefit obligations	**72**	**127**	300	139
Included in net retirement benefit obligations are:				
Registered funded defined benefit pension plan (asset) liability (1)	**(93)**	–	120	–
Non-registered, non-funded defined benefit pension plans benefit obligation (2)	**165**	–	180	–
OPEB Plans	–	**127**	–	139
	72	**127**	**300**	**139**

(1) The registered funded defined benefit pension plan was in the asset position of $93 million at December 31, 2021 due to the impacts of returns on plan assets, increase in the liability discount rate, experience adjustments, 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 decreased to $165 million at December 31, 2021 due to an increase in the liability discount rate and experience adjustments (2020 - increased to $180 million due to a decrease in the liability discount rate and experience adjustments).

BENEFIT PLAN COST

The components of benefit plan cost are as follows:

	2021		2020	
	Pension Benefit Plans	OPEB Plans	Pension Benefit Plans	OPEB Plans
Current service cost	**14**	**3**	16	2
Interest cost	**85**	**4**	97	4
Interest income	**(76)**	**–**	(87)	–
Past service cost	**–**	**–**	4	–
Defined benefit plans cost	**23**	**7**	30	6
Defined contribution plans cost	**30**	**–**	29	–
Total cost	**53**	**7**	59	6
Less: capitalized	**20**	**3**	24	3
Net cost recognized	**33**	**4**	35	3

RE-MEASUREMENT OF RETIREMENT BENEFITS

Re-measurements of the pension and OPEB plans are as follows:

	2021		2020	
	Pension Benefit Plans	OPEB Plans	Pension Benefit Plans	OPEB Plans
Gains on plan assets from:				
Return on plan assets, excluding amounts included in net interest expense	**29**	**–**	240	–
Gains (losses) on plan obligations from:				
Changes in financial assumptions	**201**	**15**	(226)	(12)
Gains (losses) recognized in other comprehensive income (1)	**230**	**15**	14	(12)

(1) Gains net of income taxes were $189 million for the year ended December 31, 2021 (2020 - gains 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:

			2021				2020	
Plan asset mix	**Quoted**	**Un-quoted**	**Total**	**%**	**Quoted**	**Un-quoted**	**Total**	**%**
Equity securities								
Public								
Canada	**3**	**–**	**3**		17	–	17	
United States	**161**	**–**	**161**		379	–	379	
International	**90**	**–**	**90**		288	–	288	
Private	**–**	**2**	**2**		–	3	3	
	254	**2**	**256**	**8**	684	3	687	22
Fixed income securities								
Government bonds	**1,457**	**–**	**1,457**		1,141	–	1,141	
Corporate bonds and debentures	**839**	**–**	**839**		764	–	764	
Securitizations	**50**	**–**	**50**		131	–	131	
Mortgages	**5**	**149**	**154**		4	106	110	
	2,351	**149**	**2,500**	**81**	2,040	106	2,146	69
Real estate								
Land and building [1]	**–**	**14**	**14**		–	23	23	
Real estate funds	**–**	**212**	**212**		–	198	198	
	–	**226**	**226**	**7**	–	221	221	7
Cash and other assets								
Cash	**49**	**–**	**49**		16	–	16	
Short-term notes and money market funds	**44**	**–**	**44**		20	–	20	
Accrued interest and dividends receivable	**9**	**–**	**9**		15	–	15	
	102	**–**	**102**	**4**	51	–	51	2
	2,707	**377**	**3,084**	**100**	2,775	330	3,105	100

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

FUNDING

In 2021, an actuarial valuation for funding purposes as of December 31, 2020 was completed for the registered defined benefit pension plans. The estimated contribution for 2022 is $11 million. The next actuarial valuation for funding purposes must be completed as of December 31, 2023.

WEIGHTED AVERAGE ASSUMPTIONS

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

		2021		2020
	Pension Benefit Plans	**OPEB Plans**	**Pension Benefit Plans**	**OPEB Plans**
Benefit plan cost				
Discount rate for the year	**2.58 %**	**2.58 %**	3.10 %	3.10 %
Average compensation increase for the year	**2.25 %**	**n/a**	2.50 %	n/a
Accrued benefit obligations				
Discount rate at December 31	**3.16 %**	**3.16 %**	2.58 %	2.58 %
Long-term inflation rate	**2.00 %**	**n/a**	2.00 %	n/a
Health care cost trend rate:				
Drug costs [1]	**n/a**	**5.05 %**	n/a	5.11 %
Other medical costs	**n/a**	**4.00 %**	n/a	4.00 %
Dental costs	**n/a**	**4.00 %**	n/a	4.00 %

(1) The Company uses a graded drug cost trend rate, which assumes 5.05 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 13.4 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. However, 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 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

A decrease in long-term interest rates will increase accrued benefit obligations, which will be partially offset by an increase in the value of the plans' bond holdings. Other things remaining the same, a further decrease in long-term interest rates will cause the funded status to deteriorate, while increases in interest rates will result in gains.

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 plans, inflation risk is mitigated because the indexing of benefit payments is capped at an annual increase of 3.0 per cent.

The majority of plan assets are also affected by inflation. As inflation rises, long-term interest rates will likely rise, pushing up bond yields and reducing the value of existing fixed rate bonds. The relationship between equities and inflation is not as clear, but generally speaking, high inflation has a negative impact on equity valuations. Overall, rising inflation will likely reduce a plan surplus or increase a deficit.

Life expectancy

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

SENSITIVITIES

The 2021 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 %	(403)	499	8	(11)
Future compensation rate	1 %	7	(6)	–	–
Long-term inflation rate [(1)]	1 %	467	(385)	8	(7)
Health care cost trend rate	1 %	11	(9)	–	–
Life expectancy	10 %	(95)	107	(1)	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:

	2021	2020
Trade accounts receivable and contract assets	**811**	712
Other accounts receivable	**33**	15
	844	727
Contract assets included in other assets	**3**	2
	847	729

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

	2021	2020
Beginning of year	714	711
Revenue from satisfied performance obligations	**3,989**	3,644
Customer billings and other items not included in revenue	**582**	411
Acquisitions (*Notes 24, 27)*	**1**	16
Credit loss allowance, net	**(5)**	(2)
Payments received	**(4,465)**	(4,070)
Foreign exchange rate adjustment and other	**(2)**	4
End of year	**814**	714

CUSTOMER CONTRIBUTIONS

Certain additions to property, plant and equipment, mainly in the utilities, 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.

	2021	2020
Beginning of year	1,756	1,720
Receipt of customer contributions	**169**	82
Amortization	**(55)**	(56)
Transfers from other liabilities and foreign exchange rate adjustment	**–**	10
End of year	**1,870**	1,756

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:

	2021	2020
Cost		
Beginning of year	129	114
Additions	**8**	15
Disposals	**(1)**	(2)
Foreign exchange rate adjustment	**(2)**	2
End of year	**134**	129
Accumulated depreciation		
Beginning of year	32	18
Depreciation	**16**	16
Disposals	**(1)**	(2)
End of year	**47**	32
Net book value	**87**	97

Lease liabilities

The Company has recognized lease liabilities in relation to the arrangements to lease the right-of-use assets. A reconciliation of movements in lease liabilities during the year ended December 31 is as follows:

	Note	2021	2020
Beginning of year		100	99
Additions		**8**	15
Interest expense	6	**3**	3
Lease payments		**(19)**	(18)
Foreign exchange rate adjustment		**(2)**	1
End of year		**90**	100
Less: amounts due within one year		**(14)**	(16)
End of year		**76**	84

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

In one year or less	**17**
In more than one year, but not more than five years	**57**
In more than five years	**44**
	118

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:

	2021	2020
Short-term leases	**11**	9
Low-value leases	**4**	6
	15	15

During the years ended December 31, 2021 and 2020, no expenses were incurred in relation to leases with variable payments.

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, 2021 and 2020, 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.

	2021	2020
Net investment in finance leases		
Finance lease - gross investment	**277**	315
Unearned finance income	**(116)**	(140)
	161	175
Current portion	**12**	9
Non-current portion	**149**	166
	161	175
Gross receivables from finance leases		
In one year or less	**28**	27
In more than one year, but not more than five years	**102**	109
In more than five years	**147**	179
	277	315
Net investment in finance leases		
In one year or less	**12**	9
In more than one year, but not more than five years	**50**	49
In more than five years	**99**	117
	161	175

During the year ended December 31, 2021, $2 million of contingent rent was recognized as income from these finance leases (2020 - $1 million).

Operating leases

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

	2021	2020
Minimum lease payments receivable		
In one year or less	**63**	79
In more than one year, but not more than five years	**27**	72
In more than five years	**–**	1
	90	152

During the years ended December 31, 2021 and 2020, no contingent rent was recognized as income from these operating leases.

18. CLASS I NON-VOTING AND CLASS II VOTING SHARES

A reconciliation of the number and dollar amount of outstanding Class I and Class II 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, 2019	101,463,781	185	13,202,947	2	114,666,728	187
Purchased and cancelled	(150,000)	–	–	–	(150,000)	–
Stock options exercised	27,300	1	–	–	27,300	1
Converted: Class II to Class I	6,818	–	(6,818)	–	–	–
December 31, 2020	101,347,899	186	13,196,129	2	114,544,028	188
Purchased and cancelled	**(220,000)**	–	–	–	**(220,000)**	–
Stock options exercised	**59,750**	**2**	–	–	**59,750**	**2**
December 31, 2021	**101,187,649**	**188**	**13,196,129**	**2**	**114,383,778**	**190**

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.

	2021		2020	
	Shares	**Amount**	**Shares**	**Amount**
Shares issued and outstanding	**114,383,778**	**190**	114,544,028	188
Shares held in trust for the mid-term incentive plan	**(243,638)**	**(10)**	(244,209)	(10)
Shares outstanding, net of shares held in trust	**114,140,140**	**180**	114,299,819	178

DIVIDENDS

The Company declared and paid cash dividends of $1.7932 per Class I and Class II Share during 2021 (2020 - $1.7408). 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 13, 2022, the Company declared a first quarter dividend of $0.4617 per Class I and Class II Share.

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.

NORMAL COURSE ISSUER BID

On March 9, 2021, ATCO Ltd. began a normal course issuer bid (NCIB) to purchase up to 1,013,478 outstanding Class I Shares. The bid expires on March 8, 2022. The prior year NCIB to purchase up to 1,014,684 outstanding Class I Shares began on March 9, 2020 and expired on March 8, 2021.

During the year ended December 31, 2021, 220,000 Class I shares were purchased for $9 million, resulting in a decrease to share capital of less than $1 million and a decrease to retained earnings of $9 million (2020 - 150,000 shares were purchased for $6 million, resulting in a decrease to share capital of less than $1 million and a decrease to retained earnings of $6 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.

	2021	**2020**
Depreciation, amortization and impairment	**717**	669
Earnings from investment in associate company	**(13)**	(15)
Dividends received from associate company	**15**	17
Earnings from investment in joint ventures	**(62)**	(34)
Dividends and distributions received from investment in joint ventures	**46**	20
Income tax expense	**148**	166
Unrealized losses on derivative financial instruments	**26**	10
Contributions by customers for extensions to plant	**169**	82
Amortization of customer contributions	**(55)**	(56)
Net finance costs	**423**	407
Income taxes paid	**(51)**	(31)
Provision on early termination of the master service agreement for managed IT services (*Note 3*)	**6**	75
Other	**22**	(3)
	1,391	1,307

CHANGES IN NON-CASH WORKING CAPITAL

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

	2021	**2020**
Operating activities		
Accounts receivable and contract assets	**(110)**	28
Inventories	**12**	(2)
Prepaid expenses and other current assets	**(4)**	(4)
Accounts payable and accrued liabilities	**115**	12
Provisions and other current liabilities	**(9)**	5
	4	39
Investing activities		
Accounts receivable and contract assets	**(12)**	(4)
Accounts payable and accrued liabilities	**20**	–
	8	(4)

DEBT RECONCILIATION

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

	Short-term debt	Long-term debt
Liabilities from financing activities		
December 31, 2019	–	9,436
Net issue of debt	–	129
Acquisition (*Note 27)*	–	11
Foreign currency translation	–	43
Debt issue costs	–	(3)
Amortization of deferred financing charges	–	3
December 31, 2020	–	9,619
Net issue of debt	**206**	**273**
Foreign currency translation	–	**(39)**
Debt issue costs	–	**(5)**
Amortization of deferred financing charges	–	**4**
December 31, 2021	**206**	**9,852**

See Note 17 for the reconciliation of the changes in lease liability for the years ended December 31, 2021 and 2020.

CASH POSITION

Cash position at December 31 is comprised of:

	2021	2020
Cash	**1,072**	1,059
Short-term investments	**1**	5
Restricted cash [(1)]	**18**	39
Cash and cash equivalents	**1,091**	1,103
Bank indebtedness	**(3)**	(3)
	1,088	1,100

(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, bank indebtedness, accounts payable and accrued liabilities and short-term debt	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	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	
Interest rate swaps	Determined using interest rate yield curves at period-end (Level 2).
Foreign currency contracts	Determined using quoted forward exchange rates at period-end (Level 2).
Commodity contracts	Determined using observable period-end forward curves and quoted spot market prices with inputs validated by publicly available market providers (Level 2).
	Determined using statistical techniques to derive period-end forward curves using unobservable inputs or extrapolation from spot 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:

		2021		2020
Recurring Measurements	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Finance lease receivables	**161**	**217**	175	254
Financial Liabilities				
Long-term debt	**9,852**	**11,395**	9,619	11,987

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The Company's derivative instruments are measured at fair value. At December 31, 2021 and 2020, the following derivative instruments were outstanding:

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

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

	Subject to Hedge Accounting		Not Subject to Hedge Accounting	
Recurring Measurements	**Interest Rate Swaps**	**Commodities**	**Commodities**	**Total Fair Value of Derivatives**
December 31, 2021				
Financial Assets				
Prepaid expenses and other current assets [(1)]	**–**	**52**	**2**	**54**
Other assets [(1)]	**8**	**35**	**6**	**49**
Financial Liabilities				
Provisions and other current liabilities [(1)]	**2**	**12**	**20**	**34**
Other liabilities [(1)]	**3**	**8**	**6**	**17**
December 31, 2020				
Financial Assets				
Prepaid expenses and other current assets [(1)]	–	25	5	30
Other assets [(1)]	–	12	4	16
Financial Liabilities				
Provisions and other current liabilities	3	6	8	17
Other liabilities [(1)]	27	4	3	34

(1) At December 31, 2021, financial liabilities and financial assets include $26 million and $8 million, respectively, of Level 3 derivative financial instruments (2020 - financial liabilities and financial assets include $9 million and $8 million, respectively, of Level 3 derivative financial instruments).

During the year ended December 31, 2021, gains before income taxes of $111 million were recognized in other comprehensive income (OCI) (2020 - losses of $22 million), and $30 were reclassified to the statement of earnings (2020 - $3 million).

Hedge ineffectiveness of $14 million was recognized in the consolidated statements of earnings during 2021 (2020 - $3 million). Over the next 12 months, the Company estimates that net gains before income taxes of $33 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:

Notional value and maturity	Subject to Hedge Accounting: Interest Rate Swaps	Subject to Hedge Accounting: Natural Gas [(1)]	Subject to Hedge Accounting: Power [(2)]	Subject to Hedge Accounting: Foreign Currency Forward Contracts	Not Subject to Hedge Accounting: Natural Gas [(1)]	Not Subject to Hedge Accounting: Power [(2)]	Not Subject to Hedge Accounting: Foreign Currency Forward Contracts
December 31, 2021							
Purchases [(3)]	–	**23,062,900**	**3,240,005**	–	–	–	–
Sales [(3)]	–	**2,313,227**	**526,314**	–	**11,015,969**	**1,232,616**	–
Currency							
Canadian dollars	**88**	–	–	–	–	–	–
Australian dollars	**732**	–	–	–	–	–	–
Mexican pesos	**570**	–	–	–	–	–	**79**
U.S. dollars	–	–	–	**2**	–	–	–
Maturity	**2023-2028**	**2022-2026**	**2022-2026**	**2022**	**2022-2024**	**2022-2024**	**2022**
December 31, 2020							
Purchases [(3)]	–	10,593,800	2,203,836	–	–	–	–
Sales [(3)]	–	3,238,242	759,246	–	7,867,560	1,089,495	–
Currency							
Canadian dollars	93	–	–	–	–	–	–
Australian dollars	738	–	–	–	–	–	–
Mexican pesos	570	–	–	–	–	–	100
Maturity	2023-2028	2021-2025	2021-2025	–	2021-2024	2021-2024	2021

(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
2021			
Financial Assets			
Derivative assets [(1) (2)]	**95**	–	**95**
Accounts receivable and contract assets	**65**	**(39)**	**26**
Financial Liabilities			
Derivative liabilities [(1) (3)]	**46**	–	**46**
2020			
Financial Assets			
Derivative assets [(1) (2)]	45	–	45
Accounts receivable and contract assets	61	(39)	22
Financial Liabilities			
Derivative liabilities [(1) (3)]	20	–	20

(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, 2021, $54 million is included in prepaid expenses and other assets, and $41 million is included in other assets in the consolidated balance sheets (2020 - $29 million and $16 million).

(3) At December 31, 2021, $32 million is included in provisions and other current liabilities, and $14 million is included in other liabilities in the consolidated balance sheets (2020 - $13 million and $7 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 of future cash flows of a financial instrument will fluctuate due to changes in interest rates. The Company's interest-bearing assets and liabilities include cash and cash equivalents, bank indebtedness and long-term debt. The interest rate risk faced by the Company is primarily due to its cash and cash equivalents and floating rate long-term debt.

Cash and cash equivalents include fixed rate instruments with maturities of generally 90 days or less that are reinvested as they mature. The Company is exposed to interest rate movements after these investments mature.

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 has fixed interest rates, either directly or through interest rate swap agreements, on 97 per cent (2020 - 97 per cent) of total long-term debt. Consequently, the exposure to fluctuations in market interest rates is limited.

A 25 basis point increase or decrease in interest rates would increase or decrease earnings by less than $1 million. This analysis has been determined based on the exposure to interest rates for financial instruments outstanding at December 31, 2021.

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 foreign exchange rates would each increase or decrease OCI by the following:

	OCI
U.S. dollar	5
Australian dollar	58

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, 2021.

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 retail energy and natural gas storage 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 associated with financial derivatives are significantly influenced by the variability of forward spot prices.

A 10 per cent increase or decrease in the forward price of natural gas or electricity would increase or decrease earnings by $11 million, and would increase or decrease OCI by $21 million. 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, accounts receivable and contract assets, finance lease receivable and derivative instrument assets. The exposure to credit risk represents the total carrying amount of these financial instruments in the consolidated balance sheet.

The Company manages its credit risk on cash and cash equivalents by investing in instruments issued by credit-worthy financial institutions and in short-term instruments issued by the federal government.

Accounts receivable and contract assets and finance lease receivable credit risk is reduced by transacting with credit-worthy customers in accordance with the established credit approval policies, diversified customer base and through collateral arrangements such as letters of credit, corporate guarantees and cash deposits. The 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)	(BB and below)
December 31, 2021	0%-0.02%	0.05%-0.15%	0.48%-3.13%
December 31, 2020	0%-0.02%	0.05%-0.16%	0.51%-3.20%

At December 31, 2021, the Company had approximately $57 million of accounts receivable and contract assets classified as Low (BB and below) (2020 - approximately $90 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:

	2021	2020
Beginning of year	8	6
Credit loss allowance	**6**	12
Utilization of credit loss allowance	**(1)**	(10)
End of year	**13**	8

The aging analysis of the trade receivables that are past due but not impaired at December 31 is as follows:

	2021	2020
Up to 30 days	**734**	652
31 to 60 days	**21**	18
61 to 90 days	**7**	6
Over 90 days	**24**	16
	786	692

At December 31, 2021, the Company held $285 million in letters of credit for certain counterparty receivables (2020 - $237 million). The Company did not take possession of any collateral it holds as security in 2021 or 2020. 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 flow from operations provides a substantial portion of the Company's cash requirements. Additional cash requirements are met with the use of existing cash balances, 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:

			2021			2020
	Total	Used	Available	Total	Used	Available
Long-term committed	**3,128**	**1,208**	**1,920**	2,914	814	2,100
Short-term committed	–	–	–	150	138	12
Uncommitted	**584**	**186**	**398**	571	154	417
	3,712	**1,394**	**2,318**	3,635	1,106	2,529

Long-term committed 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:

	2021	2020
Short-term debt	**206**	–
Long-term debt	**941**	906
Letters of credit	**247**	200
	1,394	1,106

Commercial paper

The Company is authorized to issue $1.2 billion of commercial paper against its long-term committed credit facilities.

Maturity analysis of financial obligations

The table below analyzes the remaining contractual maturities at December 31, 2021 of the Company's financial liabilities based on the contractual undiscounted cash flows.

	2022	2023	2024	2025	2026	2027 and thereafter
Accounts payable and accrued liabilities	852	–	–	–	–	–
Short-term debt	206	–	–	–	–	–
Long-term debt:						
Principal	351	233	451	62	432	8,373
Interest expense (1)	371	371	363	358	365	7,006
Derivatives (2)	32	9	4	1	–	–
	1,812	613	818	421	797	15,379

(1) Interest payments on floating rate debt have been estimated using rates in effect at December 31, 2021. 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, 2021.

The table below analyzes the remaining contractual maturities at December 31, 2020 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, 2020.

	2021	2022	2023	2024	2025	2026 and thereafter
Accounts payable and accrued liabilities	695	–	–	–	–	–
Long-term debt:						
Principal	329	379	817	129	35	7,979
Interest expense (1)	398	384	364	343	342	6,986
Derivatives (2)	13	5	2	–	–	–
	1,435	768	1,183	472	377	14,965

(1) Interest payments on floating rate debt have been estimated using rates in effect at December 31, 2020. 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, 2020.

PANDEMIC RISK

An outbreak of infectious disease, a pandemic or a similar public health threat, such as the COVID-19 pandemic, could adversely impact the Company. This includes causing operating, supply chain and project development delays and disruptions, labor shortages and shutdowns as a result of government regulation and prevention measures, increased strain on employees and compromised levels of customer service, any of which could have a negative impact on the Company’s operations.

Any deterioration in general economic and market conditions resulting from a public health threat could negatively affect demand for electricity and natural gas, revenue, operating costs, timing and extent of capital expenditures, results of financing efforts, or credit risk and counterparty risk; any of which could have a negative impact on the Company’s business.

While the Company’s investments are largely focused on regulated utilities and long-term contracted businesses with strong counterparties creating a resilient investment portfolio, the extent of the COVID-19 pandemic and its future impact on the Company remains uncertain. In response to the evolving situation, the Company's Pandemic Plan was activated in February 2020. The plan included travel restrictions, limited access to facilities, a direction to work from home whenever possible, physical distancing measures and other protocols (including the use of personal protective equipment while at a work premise). Since then, the Company has been following recommendations by local and national public health authorities across the globe to adjust operational requirements as needed to ensure a coordinated approach across the Company. As a result of these efforts and the Company’s experience in crisis response, the Company’s operations, financial position and performance have not been significantly impacted for the year ended December 31, 2021.

CLIMATE CHANGE RISK

The Company manages climate risks related to assets, including preparing for, and responding to, extreme weather events through activities such as proactive route and site selection, asset hardening, regular maintenance, and insurance. The Company follows regulated engineering codes and continues to evaluate ways to create greater system reliability and resiliency. When planning for capital expenditures or acquiring assets, the Company considers site specific climate and weather factors, such as flood plain mapping and extreme weather history.

The Company also continues to explore and implement opportunities in clean fuels, renewable energy, and energy efficiency. This includes looking at ways to modernize the Company's energy infrastructure to accommodate new and innovative sources of energy as well as ways to further use energy more efficiently. This process is associated with risks and uncertainties, and is highly dependent on changes in legislation, market price volatility, local and global demand on energy, as well as the timing of when the local and global markets transition to a more energy efficient and cleaner fuels-based economy. The extent and significance of the future impact of such risks and uncertainties remain unknown.

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, long-term debt and non-recourse 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 debentures and credit facilities is that total debt divided by total capitalization must be less than 75 per cent. 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 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:

	2021	2020
Bank indebtedness	**3**	3
Short-term debt	**206**	–
Long-term debt	**9,852**	9,619
Total debt	**10,061**	9,622
Class I and Class II Shares	**180**	178
Contributed surplus	**8**	6
Retained earnings	**3,962**	3,880
Accumulated other comprehensive loss	**(39)**	(12)
Non-controlling interests	**3,838**	3,797
Total equity	**7,949**	7,849
Total capitalization	**18,010**	17,471
Debt capitalization	**56 %**	55 %

For the year ended December 31, 2021, the Company complied with externally imposed requirements on its capital, including covenants related to debentures and credit facilities.

23. SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

SIGNIFICANT 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

Indicators of impairment are considered when evaluating whether or not an 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 or in the Company's overall business strategy, significant negative industry or economic trends, 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. The provisions are management’s best estimates of the expenditures required to settle the present obligations at the balance sheet date, using a probability weighting of possible outcomes.

SIGNIFICANT 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. 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 measure and value of the estimated consumption.

Impairment of financial assets

The impairment loss allowance for financial assets are based on assumptions about risk of default and expected loss rates. For details regarding significant assumptions and key inputs used to calculate impairment loss allowance, see Note 21.

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.

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 cash generating unit (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.

Onerous contracts

In assessing the unavoidable costs of meeting obligations under an onerous contract at the reporting date, the Company identifies and quantifies any compensation or penalties, other costs arising from the need to terminate a contract or inability to fulfil it. This process involves judgment about the future events, interpretation of legal terms of a contract, as well as estimates on the timing and amount of future cash flows. The change in used estimates and underlying assumptions can significantly impact the amount of recognized provision in relation to onerous contracts.

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 a probability weighting of possible outcomes.

Use of judgments and estimates around the COVID-19 pandemic

For the year ended December 31, 2021, the Company performed an assessment of the impacts of uncertainties around the COVID-19 pandemic on its consolidated financial position, financial performance and cash flows. The assessment required use of judgments and estimates and resulted in no material impacts to the consolidated financial statements.

24. BUSINESS COMBINATIONS

Acquisition of the natural gas storage business in Canada

On December 2, 2021, ATCO Energy Solutions Ltd., a subsidiary of Canadian Utilities Limited, acquired a 100 per cent ownership interest in Alberta Hub, an underground natural gas storage business in Alberta, Canada. The acquisition is reported in the Energy Infrastructure segment.

The aggregate consideration paid for Alberta Hub was $135 million, which is comprised of $84 million cash paid, net of cash acquired of $51 million. There is no contingent consideration with this acquisition.

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

Accounts receivable and contract assets	1
Property, plant & equipment	106
Intangible assets	5
Deferred income tax liabilities	(24)
Other liabilities	(4)
Total identifiable net assets acquired	84

The fair value of the acquired accounts receivable approximated the carrying value due to their short-term nature. None of the accounts receivable acquired were impaired.

From the date of acquisition, revenues of $1 million and earnings attributable to 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, 2021, as a result of the acquisition. Transaction costs of $1 million for incremental legal and advisory services fees were expensed during the year ended December 31, 2021 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, 2021, would have been $4,314 million and $252 million, respectively, if the acquisition had occurred on January 1, 2021. These pro-forma adjustments reflect the Company's historic natural gas storage margin and adjustments for depreciation and amortization assuming the fair values attributed in the purchase price allocation occurred on January 1, 2021. These pro-forma results may not necessarily be indicative of actual results had the acquisition occurred on January 1, 2021.

25. INVESTMENT IN EQUITY INTEREST IN ASSOCIATE COMPANY

The summarized financial information for the Company's 40 per cent interest in Neltume Ports S.A., over which the Company has significant influence, is provided below. This includes the balance sheets and selected information from the statements of earnings and comprehensive income.

	December 31 2021	December 31 2020
Balance sheet		
Cash and cash equivalents	**265**	307
Other current assets	**70**	63
Current assets	**335**	370
Non-current assets	**1,172**	1,180
Total assets	**1,507**	1,550
Financial liabilities [1]	**(48)**	(53)
Other current liabilities	**(65)**	(45)
Current liabilities	**(113)**	(98)
Financial liabilities [1]	**(169)**	(197)
Other non-current liabilities	**(112)**	(104)
Non-current liabilities	**(281)**	(301)
Total liabilities	**(394)**	(399)
Net assets	**1,113**	1,151
ATCO's share of net assets	**445**	460

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

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

	2021	2020
Revenues	**346**	326
Depreciation and amortization	**(60)**	(65)
Interest income	**1**	2
Interest expense	**(11)**	(13)
Income taxes	**(7)**	(4)
Earnings	**33**	40
Other comprehensive loss	**(17)**	(5)
ATCO's share of earnings	**13**	15
ATCO's share of other comprehensive loss	**(7)**	(2)

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

	2021	2020
Beginning of year	**460**	468
ATCO's share of net earnings	**13**	15
ATCO's share of other comprehensive loss	**(7)**	(2)
Dividends received	**(15)**	(17)
Foreign exchange	**(6)**	(3)
Other	**–**	(1)
End of year	**445**	460

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	Canada	Workforce housing, modular facilities, construction, site support services and logistics and operations management.
Inversiones ATCO Chile Limitada	Chile	Holds 40% investment in associate, Neltume Ports S.A.
Canadian Utilities Limited (1)	Canada	Holding company
ATCO Energy Solutions	Canada	Develops, owns and operates non-regulated energy and water-related infrastructure
Electricidad del Golfo	Mexico	Electricity generation and related infrastructure services
ATCO Gas Australia	Australia	Natural gas distribution
ATCO Power Australia	Australia	Electricity generation
ATCO Energy	Canada	Electricity and natural gas retailer and a solution provider for home and business
ATCO Power (2010)	Canada	Electricity generation and related infrastructure services
CU Inc.	Canada	Holding company
ATCO Electric	Canada	Electricity transmission, distribution and related infrastructure development
ATCO Gas (2)	Canada	Natural gas distribution and related infrastructure development
ATCO Pipelines (2)	Canada	Natural gas transmission and related infrastructure development

(1) At December 31, 2021, ATCO Ltd. has an ownership interest of 53.0 per cent (2020 - 52.3 per cent).

(2) ATCO Gas and ATCO Pipelines are divisions of ATCO Gas and Pipelines Ltd.

27. JOINT ARRANGEMENTS

JOINT VENTURES

The following joint ventures are considered the most significant; however, they are not individually material to the operations of the Company.

Significant Joint Ventures	Segment	Operating Jurisdiction	Ownership %	Principal Activity
LUMA Energy LLC	Utilities, Electricity	Puerto Rico	50	Operations and management services
Osborne Cogeneration Plant	Energy Infrastructure	Australia	50	Electricity generation
Strathcona Storage Limited Partnership	Energy Infrastructure	Canada	60	Hydrocarbon storage
Joint venture during the period ended December 31, 2020				
Sabinco Soluciones Modulares S.A. (1)	Structures & Logistics	Chile	50	Modular structures

(1) A joint venture during the period ended December 31, 2020.

ATCO Sabinco

On December 30, 2020, the Company increased its ownership in Sabinco Soluciones Modulares S.A. (ATCO Sabinco) from 50 per cent to 100 per cent. The increase in ownership was accounted for using the acquisition method. The aggregate consideration paid was $20 million and is included in other investing activities in the consolidated statements of cash flows. ATCO Sabinco was previously accounted for as a joint venture, and, effective December 30, 2020, is consolidated. Significant assets and liabilities acquired and, as a result included in the consolidated balance sheets at December 31, 2020, include $43 million of property, plant and equipment, $16 million of trade accounts receivable and contract assets, and $11 million of long-term debt.

ATCO Sabinco is reported in the Structures & Logistics segment.

LUMA Energy LLC

On June 22, 2020, LUMA Energy LLC (LUMA), a Commonwealth of Puerto Rico based joint venture between the Company and Quanta Services, Inc., where each party holds a 50 per cent ownership interest, was selected by the Puerto Rico Public-Private Partnerships Authority to modernize and operate Puerto Rico's electric transmission and distribution system over a term of 15 years after a one year transition period which commenced in June 2020.

LUMA contractual arrangements do not assume ownership of any electric transmission and distribution assets. The functional currency of LUMA is US dollars.

The Company has accounted for its 50 per cent ownership interest as a joint venture, whereby the initial investment shall be adjusted for the Company's share of LUMA's earnings, other comprehensive income, dividends received from LUMA, and foreign exchange. When making the assessment on whether LUMA represents a joint venture, the Company considered the structure, legal form and contractual terms of the arrangement with Quanta Services, Inc., as well as other facts and circumstances.

LUMA is reported in the Utilities, Electricity segment.

Joint Ventures financial information

Aggregate information for the Company’s interest in joint ventures is shown below.

	2021	**2020**
Earnings and comprehensive income for the year	**62**	34
Dividends received	**46**	20
Aggregate carrying amount of interests in joint ventures	**228**	186

Contributions in the Company's joint ventures during the year ended December 31 were as follows:

	2021	**2020**
LUMA Energy LLC	**8**	–
Strathcona Storage Limited Partnership	**19**	9
	27	9

Commitments

The joint ventures have contractual obligations in the normal course of business. The Company’s total share of these unrecognized commitments, based on the contractual undiscounted cash flows, was $25 million at December 31, 2021 (2020 - $25 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:

	2021	2020
NCI in Canadian Utilities Limited	**3,834**	3,794
NCI in ATCO Espaciomovil S.A.P.I. de C.V., 70 per cent owned subsidiary of ATCO Structures & Logistics	**4**	3
	3,838	3,797

NCI in CANADIAN UTILITIES LIMITED

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

	2021	2020
Class A non-voting shares and Class B common shares	**%**	**%**
Total ownership interest held	**47.0**	47.7
Proportion of voting rights held (Class B Common shares of Canadian Utilities Limited)	**8.4**	9.7
Proportion of non-voting rights held (Class A Non-voting shares of Canadian Utilities Limited)	**61.2**	61.7

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

	2021	2020
Consolidated Statements of Comprehensive Income		
Revenues	**3,515**	3,233
Earnings for the year	**400**	434
Total comprehensive income	**589**	451
Attributable to NCI:		
Earnings for the year	**223**	245
Total comprehensive income	**311**	252
Consolidated Balance Sheets		
Current assets	**1,731**	1,559
Non-current assets	**19,344**	18,737
Current liabilities	**(1,418)**	(856)
Non-current liabilities	**(12,835)**	(12,632)
Net assets	**6,822**	6,808
Attributable to NCI	**3,834**	3,794
Consolidated Statements of Cash Flows		
Cash flows from operating activities	**1,718**	1,631
Cash flows used in investing activities	**(1,262)**	(905)
Cash flows used in financing activities	**(478)**	(924)
Decrease in cash position	**(22)**	(198)
Dividends paid to NCI		
Class A and Class B share owners	**225**	227
Equity preferred shares	**72**	74
	297	301

EQUITY PREFERRED SHARES

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

	2021	2020
CU Inc. Equity Preferred Shares		
Cumulative Redeemable Preferred Shares, at 2.292% to 4.60% (1)	**190**	190
Canadian Utilities Limited Equity Preferred Shares		
Cumulative Redeemable Second Preferred Shares, at 3.403% to 5.25%	**1,601**	1,400
Perpetual Cumulative Second Preferred Shares, at 4.60%	**–**	110
Issuance costs	**(30)**	(30)
	1,761	1,670

(1) Effective June 1, 2021, the annual dividend rate for the Series 4 Preferred Shares was reset at 2.292 per cent for the five-year period from June 1, 2021 to May 31, 2026. Prior to the reset on June 1, 2021, the annual dividend rate was 2.24 per cent.

On August 27, 2021, Canadian Utilities Limited redeemed all of the issued 4.60 per cent Perpetual Cumulative Second Preferred Shares for $110 million plus accrued dividends.

In December 2021, the Company issued 8,050,000 Series HH Preferred Shares yielding 4.75 per cent per annum for gross proceeds of $201 million.

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	25.00	0.2126875	2.40 %	June 1, 2022 (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.

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. 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 Non-Voting Shares (4)
		25% per year over 4 years	8 years	Class I Non-Voting Shares (4)
Share appreciation rights (1)	Directors, officers and key employees	20% per year over 5 years	10 years	Cash
Mid-term incentive plan	Officers and key employees	2-3 years (3)	2-3 years	Class I Non-Voting Shares (5)

(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) *Based on achieving certain performance criteria.*

(4) *Issued from Treasury.*

(5) *Purchased on the secondary market.*

STOCK OPTION PLAN

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

	2021		2020	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Options authorized for grant	**10,200,000**		10,200,000	
Options available for issuance	**107,150**		482,750	
Outstanding options, beginning of year	1,115,200	$42.33	693,000	$44.40
Granted	**515,000**	**45.30**	450,000	38.40
Exercised	**(59,750)**	**34.12**	(27,300)	29.96
Forfeited	**(139,400)**	**42.76**	(500)	42.08
Outstanding options, end of year	**1,431,050**	**$43.70**	1,115,200	$42.33
Options exercisable, end of year	**572,300**	**$44.53**	461,950	$44.44

Options	Outstanding			Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$35.12 - $38.93	474,050	6.4	$38.43	181,550	$38.49
$40.38 - $44.97	182,550	4.3	43.20	134,250	43.64
$45.38 - $49.51	702,750	6.8	46.55	184,900	48.27
$50.33 - $51.97	71,700	2.4	51.89	71,600	51.90
$35.12 - $51.97	1,431,050	6.2	$43.70	572,300	$44.53

Compensation expense related to stock options was $2 million in 2021 (less than $1 million in 2020), 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.

	2021		2020	
	SARs	Weighted Average Exercise Price	SARs	Weighted Average Exercise Price
Outstanding SARs, beginning of year	736,200	$44.99	775,000	$44.56
Granted	**8,000**	**45.38**	7,000	38.40
Exercised	**(72,100)**	**35.28**	(27,300)	29.96
Forfeited	**(32,400)**	**46.65**	(18,500)	46.79
Outstanding SARs, end of year	**639,700**	**$46.01**	736,200	$44.99
SARs exercisable, end of year	**472,450**	**$45.81**	461,950	$44.44

SARs	Outstanding			Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$35.12 - $38.93	87,700	4.1	$38.58	83,700	$38.59
$40.38 - $44.97	187,550	4.3	43.19	132,250	43.66
$45.38 - $49.51	290,750	5.8	48.58	184,900	48.27
$50.33 - $51.97	73,700	2.5	51.86	71,600	51.90
$35.12 - $51.97	639,700	4.8	$46.01	472,450	$45.81

In 2021, compensation expense related to SARs was an expense of $2 million (2020 - credit of $1 million). The total carrying value of liabilities arising from SARs at December 31, 2021 was $3 million (2020 - $2 million). The total intrinsic value of all vested SARs at December 31, 2021 was less than $1 million (2020 - 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:

	2021		2020	
	Options	SARs	Options	SARs
Class I share price	**$45.30**	**$45.38**	$38.40	$38.40
Risk-free interest rate	**1.11 %**	**0.67 %**	0.52 %	0.37 %
Share price volatility (1)	**26.19 %**	**24.87 %**	21.76 %	24.67 %
Estimated annual Class I share dividend	**4.89 %**	**3.93 %**	4.62 %	4.62 %
Expected holding period prior to exercise	**7.1 years**	**4.0 years**	7.1 years	4.0 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.

MID-TERM INCENTIVE PLAN

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

		2021		2020
	MTIPs	Weighted Average Grant Date Fair Value	MTIPs	Weighted Average Grant Date Fair Value
Outstanding MTIPs, beginning of year	244,209	$42.16	321,948	$45.00
Vested	**(8,400)**	**41.34**	(78,401)	49.21
Forfeited (1)	**(1,400)**	**42.36**	(224,799)	43.49
Change in unallocated shares (2)	**9,229**	**–**	225,461	–
Outstanding MTIPs, end of year	**243,638**	**$44.38**	244,209	$42.16

(1) Forfeitures occur when certain performance criteria are not met.

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

MTIPs			Outstanding
Range of Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Grant Date Fair Value
$44.38	3,150	0.6	$44.38
Unallocated shares	240,488	–	–
	243,638	0.6	$44.38

Compensation expense related to MTIP grants was less than $1 million for 2021 with a corresponding increase to contributed surplus (2020 - credit of $3 million with a corresponding decrease to contributed surplus).

The Company, through a trustee, did not purchase any shares during 2021 to be distributed to employees on vesting of the awards (2020 - nil).

30. CONTINGENCIES

AUC enforcement proceeding

On November 29, 2021, the AUC enforcement branch filed an application with the AUC recommending an enforcement proceeding be initiated. This proceeding is to determine whether ATCO Electric Transmission failed to comply with AUC decisions and enactments under the AUC's jurisdiction with respect to the sole source contract for the Jasper interconnection project and the actions leading up to and including the filing of the 2018-2020 Deferral Account Application. This proceeding will also determine any future remedies that may be required.

AUC Enforcement and Electricity Transmission are pursuing settlement discussions prior to the AUC determining the next process steps. In 2021, the Company recognized expenses of $16 million ($7 million after-tax and NCI) related to the proceeding, however, the ultimate outcome of the enforcement proceeding is uncertain and could differ materially from the amount recognized.

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 $300 million guarantee, supported by a $300 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 other disputes and lawsuits in the normal course of business. The Company believes that the ultimate liability arising from these matters will have no material impact on the consolidated financial statements.

31. COMMITMENTS

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:

	2022	2023	2024	2025	2026	2027 and thereafter
Purchase obligations:						
Operating and maintenance agreements	**350**	**326**	**286**	**51**	**40**	**96**
Capital expenditures	**359**	–	–	–	–	–
Other	**6**	–	–	–	–	–
	715	**326**	**286**	**51**	**40**	**96**

32. RELATED PARTY TRANSACTIONS

In transactions with the Company's joint ventures, the Company recognized revenues of $38 million relating to management fees and other charges (2020 - $21 million).

In transactions with the Company's group pension plans, the Company paid occupancy costs of $5 million relating to property owned by the pension plans (2020 - $7 million).

The Company received less than $1 million (2020 - less than $1 million) in retail electricity and natural gas services revenue and incurred $1 million in advertising, promotion and other expenses from entities related through common control (2020 - $1 million).

KEY MANAGEMENT COMPENSATION

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

	2021	2020
Salaries and short-term employee benefits	**15**	10
Retirement benefits	**3**	2
Share-based compensation [(1)]	**5**	(3)
	23	9

(1) In 2020, related to certain forfeitures of mid-term incentive plan grants.

Key management personnel comprise members of executive management and the Board, a total of 23 individuals (2020 - 18 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% and 50% 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 independent power plant (IPP) contracts providing generation capacity to customers is recognized over the contract term and is measured based on fixed or variable capacity payments. Revenue from operating and maintaining the 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

Power purchase arrangements (PPA) for the generation of electricity are accounted for as operating leases, finance leases or executory contracts, depending on the terms of the PPAs.

Operating lease PPAs are subject to incentives and penalties relating to the generating unit's availability. Incentives are paid to the Company by the PPA counterparties for availability in excess of predetermined targets, whereas penalties are paid by the Company to the PPA counterparties when the availability targets are not achieved. The Company recognizes operating lease income on a declining rate base method, in accordance with the lease contract. Accumulated incentives in excess of accumulated penalties are deferred and operating lease income is recognized over the remaining term of the PPA. Conversely, any shortfall is expensed in the year the shortfall occurs.

Certain 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.

INVENTORIES

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.

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 a replaced asset is derecognized when the cost of replacing the asset is capitalized. 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	10 to 67 years	51 years	2.0 %
Electricity distribution equipment	10 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 infrastructure plant and equipment:			
Gas-fired generation	15 years	14 years	7.4 %
Hydroelectric generation	43 to 50 years	50 years	1.8 %
Solar power generation	10 to 30 years	22 years	4.6 %
Other energy infrastructure	3 to 100 years	36 years	2.8 %
Buildings	10 to 73 years	30 years	3.3 %
Other:			
Rental assets	2 to 17 years	16 years	6.1 %
Other plant, equipment and machinery	2 to 50 years	18 years	5.7 %

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 74 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.

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. Impairment is assessed at the CGU level, 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.

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 as other expenses over the lease term in the consolidated statements of earnings.

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.

ASSETS AND LIABILITIES OF DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

Assets and liabilities of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction. They are measured at the lower of their carrying value and fair value less costs to sell, except for deferred tax assets, assets arising from employee benefits and financial assets and liabilities that are carried at fair value.

Assets held for sale are not depreciated or amortized while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognized.

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

A contingent liability is a possible obligation, and a contingent asset is a possible asset, that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. A contingent liability may also be a present obligation that arises from past events that is not recognized because it is not probable that an outflow of economic resources will be required to settle the obligation or the amount of the obligation cannot be measured reliably.

Neither contingent liabilities nor assets are recognized in the consolidated financial statements. However, a contingent liability is disclosed, unless the possibility of an outflow of resources is remote. A contingent asset is only disclosed where an inflow of economic benefits is probable.

Management evaluates the likelihood of contingent events based on the probability of exposure to potential loss. Actual results could differ from these 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 equity preferred 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 are cash-settled and are measured at fair value. The fair value is recognized over the vesting period of the SARs granted by applying graded vesting, adjusted for estimated forfeitures. The fair value of SARs 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	
	2021	**2020**	**2021**	**2020**
U.S. dollar	**1.2656**	1.2838	**1.2793**	1.3415
Australian dollar	**0.9200**	0.9726	**0.9164**	0.9247

ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

At December 31, 2021, there are no new or amended standards and interpretations that need to be adopted in future periods and will have a significant impact on the Company.

CONSOLIDATED ANNUAL RESULTS [1]

YEAR ENDED DECEMBER 31, 2021

(Millions of Canadian dollars, except as indicated)	**2021**	2020	2019	2018	2017
EARNINGS STATEMENT					
Revenues	**4,289**	3,944	4,706	4,888	4,600
Earnings attributable to Class I and Class II shares	**246**	252	513	328	219
Adjusted earnings [2]					
Structures & Logistics	**53**	57	37	15	6
Neltume Ports	**13**	15	15	4	–
Corporate & Other	**6**	–	(6)	17	10
Canadian Utilities Limited					
- Utilities	**336**	305	301	275	313
- Energy Infrastructure	**15**	15	57	83	41
- Corporate & Other Eliminations	**(41)**	(40)	(39)	(39)	(35)
Adjusted earnings	**382**	352	365	355	335
BALANCE SHEET					
Cash [3]	**1,088**	1,100	1,140	691	494
Total assets	**23,004**	22,200	21,703	23,344	21,786
Capitalization					
Bank indebtedness	**3**	3	–	–	7
Short-term debt	**206**	–	–	175	10
Long-term debt	**9,852**	9,619	9,436	9,397	8,557
Non-recourse long-term debt	–	–	–	1,401	1,416
Non-controlling interests	**3,838**	3,797	3,858	3,687	3,576
Share owners' equity	**4,111**	4,052	4,000	3,755	3,527
Capitalization	**18,010**	17,471	17,294	18,415	17,093
CASH FLOW STATEMENT					
Cash flows from operating activities	**1,864**	1,843	1,542	999	1,331
Capital expenditures					
Structures & Logistics	**114**	125	105	88	33
Corporate & Other and Eliminations	**11**	13	(16)	10	81
Canadian Utilities Limited					
- Utilities (Electricity)	**350**	366	389	467	438
- Utilities (Natural Gas)	**747**	510	646	622	761
- Energy Infrastructure	**120**	19	88	51	32
- Corporate & Other	**10**	8	6	16	3
Capital expenditures	**1,352**	1,041	1,218	1,254	1,348
PER SHARE DATA					
Earnings per share ($)	**2.16**	2.21	4.49	2.87	1.92
Adjusted earnings per share ($) [2]	**3.35**	3.08	3.19	3.10	2.93
Dividends paid per share ($)	**1.79**	1.74	1.62	1.51	1.31
Equity per share ($)	**35.94**	35.37	34.88	32.75	30.76
Class I non-voting closing share price ($)	**42.70**	36.49	49.77	38.61	45.00
Class II Voting closing share price ($)	**43.00**	37.81	49.55	38.55	44.90

Full disclosure of all financial information is available on the SEDAR website - www.sedar.com.

(1) Financial results have been prepared in accordance with International Financial Reporting Standards (IFRS).

(2) Adjusted earnings are earnings attributable to Class I & Class II shares after adjusting for the timing of revenues and expenses associated with rate-regulated activities and unrealized gains or losses on mark-to-market forward and swap commodity contracts. Adjusted earnings also exclude one-time gains and losses, impairments and items that are not in the normal course of business or a result of day-to-day operations. The most directly comparable measure to “adjusted earnings” that is reported in accordance with IFRS is “earnings attributable to Class I and Class II shares”. For additional information regarding these total of segment measures, see “Other Financial and Non-GAAP Measures” and “Reconciliation of Adjusted Earnings to Earnings Attributable to Class I and Class II Shares” in Management’s Discussion and Analysis for the year-ended December 31, 2021, which is available at www.atco.com, and incorporated by reference herein.

(3) Cash is defined as cash and cash equivalents less current bank indebtedness.

CONSOLIDATED OPERATING SUMMARY

YEAR ENDED DECEMBER 31, 2021

(Millions of Canadian dollars, except as indicated)	**2021**	2020	2019	2018	2017
Structures & Logistics					
Capital expenditures	**114**	125	105	88	33
Workforce housing lease fleet (units in thousands)	**2**	3	3	3	4
Workforce housing lease fleet utilization (%)	**67**	52	48	40	37
Space rental lease fleet (units in thousands)	**20**	19	16	15	13
Space rental lease fleet utilization (%)	**82**	73	72	75	70
Neltume (1)					
Port products handling (millions of tonnes)	**46**	45	46	44	_
Utilities					
Electricity distribution and transmission operations					
Capital expenditures	**350**	366	389	467	438
Power lines (thousands of kilometres)	**105**	75	75	75	75
Power lines owned (thousands of kilometres)	**71**	71	71	71	71
Electricity distributed (millions of kilowatt hours)	**12,491**	12,012	12,664	12,928	11,961
Average annual use per residential customer (kWh)	**7,535**	7,528	7,227	7,398	7,325
Average customers during the year (thousands)	**261**	261	260	258	256
Natural gas distribution operations					
Capital expenditures	**385**	307	353	383	464
Pipelines (thousands of kilometres)	**55**	55	55	55	55
Maximum daily demand (terajoules)	**2,476**	2,535	2,304	2,292	2,381
Natural gas distributed (petajoules)	**299**	300	311	304	287
Average annual use per residential customer (gigajoules) for ATCO Gas	**111**	113	112	111	116
Average annual use per residential customer (gigajoules) for ATCO Gas Australia	**14**	13	13	14	14
Average customers during the year (thousands)	**2,036**	2,014	1,989	1,964	1,936
Natural gas transmission operations					
Capital expenditures	**362**	203	293	239	297
Pipelines (thousands of kilometres)	**9**	9	9	9	9
Energy Infrastructure					
Electricity generation operations (2)					
Capital expenditures	**28**	2	59	30	16
Non-regulated generating capacity (megawatts)	**348**	347	344	3,922	3,887
Non-regulated generating capacity owned (megawatts)	**248**	247	244	2,517	2,482
Energy storage & industrial water operations					
Capital expenditures	**92**	17	29	21	16
Seasonal natural gas storage capacity (petajoules)	**101**	52	52	52	52
Salt cavern storage capacity (thousands of m^3)	**400**	400	400	400	200
Industrial water infrastructure intake capacity (thousands of m^3/day)	**85**	85	85	85	85

(1) On September 12, 2018, ATCO invested in a 40 per cent interest in Neltume Ports. Neltume Ports is a port operator and developer with a diversified portfolio of 17 multi-purpose bulk cargo and container port facilities and 6 port operation services. The business is located primarily in Chile, with additional operations in Uruguay, Argentina, Brazil and the US.

(2) In 2019, the Company closed a series of transactions related to the sale of its Canadian fossil fuel-based electricity generation business. A transaction with Heartland Generation Ltd., an affiliate of Energy Capital Partners, included the sale of 10 partly or fully owned natural gas-fired and coal-fired electricity generation assets located in Alberta and British Columbia. In two other separate transactions, the Company sold its 50 per cent ownership interest in the Cory Cogeneration Station to SaskPower International and its 50 per cent ownership interest in Brighton Beach Power to Ontario Power Generation.

GENERAL INFORMATION

INCORPORATION
ATCO Ltd. was incorporated under the laws of the province of Alberta on August 31, 1962.

AUDITORS
PricewaterhouseCoopers LLP
Calgary, AB

LEGAL COUNSEL
Bennett Jones LLP
Calgary, AB

STOCK EXCHANGE LISTINGS
Class I Non-Voting Shares
Symbol ACO.X
Class II Voting Shares
Symbol ACO.Y
Listing: The Toronto Stock Exchange

INVESTOR RELATIONS
Email: investorrelations@ATCO.com
Telephone: 403 292 7500
Fax: 403 292 7532

Mailing Address:
Investor Relations c/o ATCO
3rd floor, West Building
5302 Forand St SW
Calgary, AB
Canada T3E 8B4

REGISTRAR & TRANSFER AGENT
Class I Non-Voting and
Class II Voting Shares
TSX Trust Company
Calgary/Montreal/Toronto/Vancouver

Telephone:
8:00 a.m. to 6:30 p.m. ET
Monday–Friday

Toll-Free in North America:
1 800 360 4519

Outside of North America:
1 416 682 3860

Fax in North America:
1 888 249 6189

Fax Outside of North America:
1 514 985 8843

Email:
shareholderinquiries@tmx.com

www.tsxtrust.com

Mailing Address:
TSX Trust Company
P.O. Box 700
Station B
Montreal, QC
Canada H3B 3K3

Printed in Canada

ATCO always there.™ anywhere.
5302 FORAND ST SW, CALGARY, ALBERTA T3E 8B4 CANADA
403 292 7500 | ATCO.COM

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