



ATCO LTD.

INTERIM CONSOLIDATED
FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE THREE MONTHS ENDED MARCH 31, 2020

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CONSOLIDATED STATEMENTS OF EARNINGS

		Three Months Ended March 31	
<i>(millions of Canadian Dollars except per share data)</i>	Note	2020	2019
Revenues	4	1,056	1,324
Costs and expenses			
Salaries, wages and benefits		(131)	(128)
Energy transmission and transportation		(53)	(52)
Plant and equipment maintenance		(48)	(60)
Fuel costs		(26)	(78)
Purchased power		(65)	(64)
Service concession arrangement costs		-	(95)
Materials and consumables		(96)	(77)
Depreciation and amortization	6	(156)	(167)
Franchise fees		(81)	(74)
Property and other taxes		(18)	(49)
Other		(56)	(59)
		(730)	(903)
Earnings from investment in associate company		3	4
Earnings from investment in joint ventures		7	8
Operating profit		336	433
Interest income		6	6
Interest expense		(105)	(129)
Net finance costs		(99)	(123)
Earnings before income taxes		237	310
Income tax expense		(63)	(84)
Earnings for the period		174	226
Earnings attributable to:			
Class I and Class II Shares		87	112
Non-controlling interests		87	114
		174	226
Earnings per Class I and Class II Share	5	\$0.76	\$0.98
Diluted earnings per Class I and Class II Share	5	\$0.76	\$0.98

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended March 31	
<i>(millions of Canadian Dollars)</i>	2020	2019
Earnings for the period	174	226
Other comprehensive income (loss), net of income taxes		
<i>Items that will not be reclassified to earnings:</i>		
Re-measurement of retirement benefits ⁽¹⁾	202	(79)
<i>Items that are or may be reclassified subsequently to earnings:</i>		
Cash flow hedges ⁽²⁾	(17)	(5)
Cash flow hedges reclassified to earnings ⁽³⁾	–	2
Foreign currency translation adjustment ⁽³⁾	(2)	(18)
Share of other comprehensive loss in associate company	(4)	–
	(23)	(21)
Other comprehensive income (loss)	179	(100)
Comprehensive income for the period	353	126
Comprehensive income attributable to:		
Class I and Class II Shares	172	52
Non-controlling interests	181	74
	353	126

(1) Net of income taxes of \$(60) million for the three months ended March 31, 2020 (2019 - \$29 million).

(2) Net of income taxes of \$6 million for the three months ended March 31, 2020 (2019 - \$2 million).

(3) Net of income taxes of nil.

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

<i>(millions of Canadian Dollars)</i>	Note	March 31 2020	December 31 2019
ASSETS			
Current assets			
Cash and cash equivalents	10	1,207	1,140
Accounts receivable and contract assets		672	731
Finance lease receivables		8	9
Inventories		75	64
Prepaid expenses and other current assets		109	93
		2,071	2,037
Non-current assets			
Property, plant and equipment	6	17,902	17,857
Intangibles		655	662
Retirement benefit asset	9	92	-
Right-of-use assets		91	96
Goodwill		82	82
Investment in joint ventures		194	187
Investment in associate company		499	468
Finance lease receivables		160	170
Deferred income tax assets		71	83
Other assets		53	61
Total assets		21,870	21,703
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		731	675
Lease liabilities		14	15
Other current liabilities		70	47
Long-term debt	7	129	173
		944	910
Non-current liabilities			
Deferred income tax liabilities		1,392	1,319
Retirement benefit obligations	9	265	429
Customer contributions		1,732	1,720
Lease liabilities		80	84
Other liabilities		128	120
Long-term debt		9,241	9,263
Total liabilities		13,782	13,845
EQUITY			
Class I and Class II Share owners' equity			
Class I and Class II shares	8	176	173
Contributed surplus		10	12
Retained earnings		3,977	3,832
Accumulated other comprehensive loss		(40)	(17)
		4,123	4,000
Non-controlling interests		3,965	3,858
Total equity		8,088	7,858
Total liabilities and equity		21,870	21,703

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

<i>(millions of Canadian Dollars)</i>	Note	Class I and Class II Shares	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Total	Non-Controlling Interests	Total Equity
December 31, 2018		169	11	3,535	40	3,755	3,687	7,442
Earnings for the period		-	-	112	-	112	114	226
Other comprehensive loss		-	-	-	(60)	(60)	(40)	(100)
Losses on retirement benefits transferred to retained earnings		-	-	(42)	42	-	-	-
Dividends	8	-	-	(46)	-	(46)	(74)	(120)
Share-based compensation		1	-	-	-	1	-	1
March 31, 2019		170	11	3,559	22	3,762	3,687	7,449
December 31, 2019		173	12	3,832	(17)	4,000	3,858	7,858
Earnings for the period		-	-	87	-	87	87	174
Other comprehensive income		-	-	-	85	85	94	179
Gains on retirement benefits transferred to retained earnings		-	-	108	(108)	-	-	-
Shares issued, purchased and cancelled		1	-	-	-	1	-	1
Dividends	8	-	-	(50)	-	(50)	(76)	(126)
Share-based compensation		2	(2)	-	-	-	-	-
Other		-	-	-	-	-	2	2
March 31, 2020		176	10	3,977	(40)	4,123	3,965	8,088

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(millions of Canadian Dollars)</i>	Note	Three Months Ended March 31	
		2020	2019
Operating activities			
Earnings for the period		174	226
Adjustments to reconcile earnings to cash flows from operating activities	10	342	353
Changes in non-cash working capital		62	(95)
Change in receivable under service concession arrangement		-	(126)
Cash flows from operating activities		578	358
Investing activities			
Additions to property, plant and equipment		(278)	(218)
Proceeds on disposal of property, plant and equipment		-	1
Additions to intangibles		(18)	(16)
Investment in equity interest in associate company		-	(9)
Investment in joint ventures		(5)	-
Changes in non-cash working capital		19	(14)
Cash flows used in investing activities		(282)	(256)
Financing activities			
Net issue of short-term debt		-	225
Issue of long-term debt		59	-
Repayment of long-term debt		(71)	(201)
Release of restricted project funds		-	105
Repayment of non-recourse long-term debt		-	(3)
Repayment of lease liabilities		(4)	(4)
Issue of Class I Shares		1	1
Dividends paid to Class I and Class II Share owners		(50)	(46)
Dividends paid to non-controlling interests		(76)	(74)
Interest paid		(81)	(106)
Other		-	14
Cash flows used in financing activities		(222)	(89)
Increase in cash position ⁽¹⁾		74	13
Foreign currency translation		(7)	(3)
Beginning of period		1,140	691
End of period	10	1,207	701

(1) Cash position includes \$55 million which is not available for general use by the Company (2019 - \$85 million).

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2020

(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);
 - Energy infrastructure (electricity generation, energy storage, and industrial water solutions);
 - Retail Energy (electricity and natural gas retail sales) (included in Corporate & Other segment); and
- Neltume Ports (ports and transportation logistics).

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

Principal operating subsidiaries are:

- Canadian Utilities Limited (52.2 per cent owned) and its subsidiaries; and
- ATCO Structures & Logistics and its subsidiaries.

2. BASIS OF PRESENTATION

STATEMENT OF COMPLIANCE

The unaudited interim consolidated financial statements are prepared according to International Accounting Standard (IAS) 34 Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and IFRS Interpretations Committee (IFRIC). They do not include all the disclosures required in annual consolidated financial statements and should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2019, prepared according to IFRS.

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

The unaudited interim consolidated financial statements were authorized for issue by the Audit & Risk Committee, on behalf of the Board of Directors, on April 30, 2020.

BASIS OF MEASUREMENT

The unaudited interim 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.

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

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

3. SEGMENTED INFORMATION

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.

In the first quarter of 2020, the Company reorganized its operating subsidiaries into the following segments:

- Structures & Logistics;
- Utilities (Electricity and Natural Gas);
- Energy Infrastructure;
- Neltume Ports; and
- Corporate & Other

Comparative amounts for prior periods have been restated to reflect the realigned segments. 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 realigned reportable segments are as follows:

Structures & Logistics		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.	
Canadian Utilities Limited	Utilities	Electricity	The Utilities (Electricity) segment includes ATCO Electric, which provides regulated electricity transmission and distribution services in northern and central east Alberta, the Yukon, the Northwest Territories.
		Natural Gas	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.
	Energy Infrastructure		The Energy Infrastructure segment includes ATCO Power (2010) (in 2019, the Company sold its Canadian fossil fuel-based electricity generation portfolio), Alberta PowerLine (before sale in 2019), 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 and Mexico.
	Corporate & Other		Canadian Utilities Limited Corporate & Other includes intersegment eliminations and ATCO Energy, a retail electricity and natural gas business in Alberta.
Neltume Ports		The Neltume Ports segment includes the equity interest in Neltume Ports S.A., a leading port operator and developer in South America. Neltume Ports operates sixteen port facilities and three port operation services businesses located in Chile, Uruguay, Argentina and Brazil.	
Corporate & Other		ATCO Corporate & Other includes commercial real estate owned by the Company and intersegment eliminations.	

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

2020	Structures & Logistics	Neltume Ports	Corporate & Other	Canadian Utilities Limited				ATCO Consolidated
				Utilities ⁽¹⁾	Energy Infrastructure	Corporate & Other	Consolidated	
2019								
Revenues - external	171	-	-	786	34	65	885	1,056
	138	-	(3)	794	335	60	1,189	1,324
Revenues - intersegment	-	-	-	3	16	(19)	-	-
	-	-	-	-	38	(38)	-	-
Revenues	171	-	-	789	50	46	885	1,056
	138	-	(3)	794	373	22	1,189	1,324
Operating expenses ⁽²⁾	(153)	-	8	(350)	(42)	(37)	(429)	(574)
	(122)	-	10	(322)	(283)	(19)	(624)	(736)
Depreciation and amortization	(12)	-	(1)	(139)	(4)	-	(143)	(156)
	(9)	-	(1)	(139)	(16)	(2)	(157)	(167)
Earnings from investment in associate company	-	3	-	-	-	-	-	3
	-	4	-	-	-	-	-	4
Earnings from investment in joint ventures	1	-	-	-	6	-	6	7
	-	-	-	-	8	-	8	8
Net finance costs	(1)	-	(4)	(92)	(3)	1	(94)	(99)
	(1)	-	(5)	(91)	(28)	2	(117)	(123)
Earnings before income taxes	6	3	3	208	7	10	225	237
	6	4	1	242	54	3	299	310
Income tax (expense) recovery	1	-	(1)	(51)	(9)	(3)	(63)	(63)
	(3)	-	(1)	(64)	(15)	(1)	(80)	(84)
Earnings for the period	7	3	2	157	(2)	7	162	174
	3	4	-	178	39	2	219	226
Adjusted earnings (loss) for the period	7	3	1	99	3	(7)	95	106
	3	4	-	93	19	(7)	105	112
Total assets ⁽³⁾	1,006	499	244	18,001	1,022	1,098	20,121	21,870
	987	466	206	17,852	1,754	438	20,044	21,703
Capital expenditures ⁽⁴⁾	38	-	6	249	6	2	257	301
	18	-	1	213	6	1	220	239

(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 and amortization expense.

(3) 2019 comparatives are at December 31, 2019.

(4) Includes additions to property, plant and equipment and intangibles and \$5 million of interest capitalized during construction for the three months ended March 31, 2020 (2019 - \$5 million).

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

2020	Utilities			
2019	Electricity	Natural Gas	Intersegment eliminations	Consolidated
Revenues - external	317	469	–	786
	359	435	–	794
Revenues - intersegment	3	1	(1)	3
	–	–	–	–
Revenues	320	470	(1)	789
	359	435	–	794
Operating expenses ⁽¹⁾	(122)	(229)	1	(350)
	(114)	(208)	–	(322)
Depreciation and amortization	(77)	(62)	–	(139)
	(77)	(62)	–	(139)
Net finance costs	(58)	(34)	–	(92)
	(57)	(34)	–	(91)
Earnings before income taxes	63	145	–	208
	111	131	–	242
Income tax expense	(15)	(36)	–	(51)
	(30)	(34)	–	(64)
Earnings for the period	48	109	–	157
	81	97	–	178
Adjusted earnings	41	58	–	99
	43	50	–	93
Total assets ⁽²⁾	10,314	7,689	(2)	18,001
	10,211	7,641	–	17,852
Capital expenditures ⁽³⁾	108	141	–	249
	108	105	–	213

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

(2) 2019 comparatives are at December 31, 2019.

(3) Includes additions to property, plant and equipment and intangibles and \$5 million of interest capitalized during construction for the three months ended March 31, 2020 (2019 - \$5 million).

ADJUSTED EARNINGS

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

- the timing of revenues and expenses for rate-regulated activities;
- one-time gains and losses;
- unrealized gains and losses on mark-to-market forward and swap commodity contracts;
- significant 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 unaudited interim consolidated financial statements have not been adjusted as they are not used by the CODM for those purposes.

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

2020	Structures & Logistics	Neltume Ports	Corporate & Other	Canadian Utilities Limited				ATCO Consolidated
				Utilities	Energy Infrastructure	Corporate & Other	Consolidated	
2019								
Adjusted earnings (loss)	7	3	1	99	3	(7)	95	106
	3	4	-	93	19	(7)	105	112
Unrealized gains on mark-to-market forward and swap commodity contracts	-	-	-	-	-	3	3	3
	-	-	-	-	3	-	3	3
Rate-regulated activities	-	-	-	(17)	-	-	(17)	(17)
	-	-	-	(4)	-	1	(3)	(3)
IT Common Matters decision	-	-	-	(2)	-	-	(2)	(2)
	-	-	-	-	-	-	-	-
Other	-	-	1	-	(4)	-	(4)	(3)
	-	-	-	-	-	-	-	-
Earnings (loss) attributable to Class I and Class II Shares	7	3	2	80	(1)	(4)	75	87
	3	4	-	89	22	(6)	105	112
Earnings attributable to non-controlling interests								87
								114
Earnings for the period								174
								226

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. Prior to the sale of the Canadian fossil fuel-based electricity generation portfolio in the third quarter of 2019, these contracts were accounted for as normal purchase agreements as they were with an affiliate company and the own use exemption was applied. Starting September 30, 2019, these contracts are measured at fair value because the contracts are with a third party and the own use exemption no longer applies. 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 of Canadian Utilities Limited.

Additionally, prior to the sale of the Canadian fossil fuel-based electricity generation portfolio in the third quarter of 2019, the Company entered into forward contracts in order to optimize available merchant capacity and manage exposure to electricity market price movements for its Independent Power and Thermal Plants not governed by a Power Purchase Arrangement. The forward contracts were measured at fair value. Unrealized gains and losses due to changes in the fair value of the forward contracts were recognized in the earnings of the Energy Infrastructure operating segment where hedge accounting was not applied.

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

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

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

Timing Adjustment	Items	RRA Treatment	IFRS Treatment
1. Additional revenues billed in current period	Future removal and site restoration costs, and impact of colder temperatures.	The Company defers the recognition of cash received in advance of future expenditures.	The Company recognizes revenues when amounts are billed to customers and costs when they are incurred.
2. Revenues to be billed in future periods	Deferred income taxes, impact of warmer temperatures, and impact of inflation on rate base.	The Company recognizes revenues associated with recoverable costs in advance of future billings to customers.	The Company recognizes costs when they are incurred, but does not recognize their recovery until customer rates are changed and amounts are collected through future billings.
3. Regulatory decisions received	Regulatory decisions received which relate to current and prior periods.	The Company recognizes the earnings from a regulatory decision pertaining to current and prior periods when the decision is received.	The Company does not recognize earnings from a regulatory decision when it is received as regulatory assets and liabilities are not recorded under IFRS.
4. Settlement of regulatory decisions and other items	Settlement of amounts receivable or payable to customers and other items.	The Company recognizes the amount receivable or payable to customers as a reduction in its regulatory assets and liabilities when collected or refunded through future billings.	The Company recognizes earnings when customer rates are changed and amounts are recovered or refunded to customers through future billings.

For the three months ended March 31, the significant timing adjustments as a result of the differences between rate-regulated accounting and IFRS are as follows:

	2020	2019
<i>Additional revenues billed in current period</i>		
Future removal and site restoration costs ⁽¹⁾	12	11
Impact of colder temperatures ⁽²⁾	3	6
<i>Revenues to be billed in future periods</i>		
Deferred income taxes ⁽³⁾	(18)	(15)
Impact of inflation on rate base ⁽⁴⁾	(2)	-
<i>Settlement of regulatory decisions and other items</i> ⁽⁵⁾	(12)	(5)
	(17)	(3)

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

(2) ATCO Gas' 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 period are refunded to or recovered from customers in future periods.

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

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

(5) In the first quarter of 2020, ATCO Electric Distribution recorded a decrease in earnings of \$14 million related to payment of transmission costs. This will be recovered from customers in future periods.

Information Technology (IT) Common Matters decision

Consistent with the treatment of the gain on sale in 2014 from the IT services business by the Company, financial impacts associated with the IT Common Matters decision are excluded from adjusted earnings. The amount excluded from adjusted earnings in the first quarter of 2020 was \$2 million (2019 - nil).

Other

Each quarter, the Company adjusts the deferred tax asset which was recognized as a result of the 2015 Tula Pipeline Project impairment. During the three months ended March 31, 2020, the Company recorded a foreign exchange loss of \$4 million after tax and non-controlling interests (2019 - \$nil) 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 revenue streams and by regulated and non-regulated business operations. The disaggregation of revenues by revenue streams by each operating segment for the year ended March 31 are shown below:

2020	Structures & Logistics	Utilities			Energy Infrastructure	Corporate & Other ⁽¹⁾	Consolidated
		Electricity	Natural Gas	Total			
2019							
Revenue Streams							
Sale of Goods							
Electricity generation and delivery	-	-	-	-	7	-	7
	-	-	-	-	164	-	164
Commodity sales	-	-	-	-	7	-	7
	-	-	-	-	8	-	8
Modular structures - goods	22	-	-	-	-	-	22
	28	-	-	-	-	-	28
Total sale of goods	22	-	-	-	14	-	36
	28	-	-	-	172	-	200
Rendering of Services							
Distribution services	-	119	307	426	-	-	426
	-	155	294	449	-	-	449
Transmission services	-	173	72	245	-	-	245
	-	169	66	235	-	-	235
Modular structures - services	77	-	-	-	-	-	77
	46	-	-	-	-	-	46
Logistics and facility operations and maintenance services	26	-	-	-	-	-	26
	27	-	-	-	-	-	27
Lodging and support	21	-	-	-	-	-	21
	14	-	-	-	-	-	14
Customer contributions	-	8	6	14	-	-	14
	-	10	5	15	-	-	15
Franchise fees	-	8	73	81	-	-	81
	-	8	66	74	-	-	74
Retail electricity and natural gas services	-	-	-	-	-	60	60
	-	-	-	-	-	56	56
Storage and industrial water	-	-	-	-	2	-	2
	-	-	-	-	7	-	7
Total rendering of services	124	308	458	766	2	60	952
	87	342	431	773	7	56	923
Lease income							
Finance lease	-	-	-	-	3	-	3
	-	-	-	-	9	-	9
Operating lease	25	-	-	-	-	-	25
	23	-	-	-	21	-	44
Total lease income	25	-	-	-	3	-	28
	23	-	-	-	30	-	53
Service concession arrangement							
	-	-	-	-	-	-	-
	-	-	-	-	126	-	126
Other							
	-	9	11	20	15	5	40
	-	17	4	21	-	1	22
Total	171	317	469	786	34	65	1,056
	138	359	435	794	335	57	1,324

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

5. EARNINGS PER SHARE

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

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

	2020	2019
Average shares		
Weighted average shares outstanding	114,352,363	114,322,689
Effect of dilutive stock options	63,590	61,304
Effect of dilutive MTIP	315,629	338,591
Weighted average dilutive shares outstanding	114,731,582	114,722,584
Earnings for earnings per share calculation		
Earnings for the period	174	226
Non-controlling interests	(87)	(114)
Earnings attributable to Class I and Class II Shares	87	112
Earnings and diluted earnings per Class I and Class II Share		
Earnings per Class I and Class II Share	\$0.76	\$0.98
Diluted earnings per Class I and Class II Share	\$0.76	\$0.98

6. PROPERTY, PLANT AND EQUIPMENT

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

	Utility Transmission & Distribution	Electricity Generation	Land and Buildings	Construction Work-in- Progress	Other	Total
Cost						
December 31, 2019	20,083	142	996	748	1,697	23,666
Additions	4	-	-	257	26	287
Transfers	124	-	1	(140)	15	-
Retirements and disposals	(10)	-	(1)	(2)	(13)	(26)
Foreign exchange rate adjustment	(109)	(12)	(5)	11	(4)	(119)
March 31, 2020	20,092	130	991	874	1,721	23,808
Accumulated depreciation						
December 31, 2019	4,720	17	212	79	781	5,809
Depreciation	110	1	6	-	20	137
Retirements and disposals	(10)	-	(1)	-	(10)	(21)
Foreign exchange rate adjustment	(21)	(2)	(1)	9	(4)	(19)
March 31, 2020	4,799	16	216	88	787	5,906
Net book value						
December 31, 2019	15,363	125	784	669	916	17,857
March 31, 2020	15,293	114	775	786	934	17,902

The additions to property, plant and equipment included \$5 million of interest capitalized during construction for the three months ended March 31, 2020 (2019 - \$5 million).

7. LONG-TERM DEBT

In the first quarter of 2020, ATCO Power Australia, a subsidiary of Canadian Utilities Limited, refinanced its \$63 million Australian dollars (equivalent of \$55 million Canadian dollars) 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.

On January 23, 2019, CU Inc., a wholly owned subsidiary of the Canadian Utilities Limited, repaid \$180 million of 5.432 per cent debentures.

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

At March 31, 2020, there were 101,472,849 (December 31, 2019 - 101,463,781) Class I Shares and 13,196,179 (December 31, 2019 - 13,202,947) Class II Shares outstanding. In addition, there were 690,700 options to purchase Class I Shares outstanding at March 31, 2020, under the Company's stock option plan.

DIVIDENDS

The Company declared and paid cash dividends of \$0.4352 per Class I and Class II Share during the three months ended March 31, 2020 (2019 - \$0.4048). The Company's policy is to pay dividends quarterly on its Class I and Class II Shares. The payment of any dividend is at the discretion of the Board and depends on the financial condition of the Company and other factors.

On March 31, 2020, the Company declared a second quarter dividend of \$0.4352 per Class I and Class II Share.

NORMAL COURSE ISSUER BID

On March 9, 2020, ATCO Ltd. began a normal course issuer bid to purchase up to 1,014,684 outstanding Class I Shares. The bid expires on March 8, 2021. The prior year normal course issuer bid to purchase up to 1,014,294 outstanding Class I Shares began on March 8, 2019 and expired on March 7, 2020.

No shares were purchased during the three months ended March 31, 2020 and March 31, 2019.

9. RETIREMENT BENEFITS

At March 31, 2020, the discount rate assumption which is used to measure the accrued benefit obligations had increased to 4.1 per cent from 3.1 per cent at December 31, 2019. The discount rate assumption is based on market interest rates of high quality bonds that match the timing and amount of expected benefit payments.

Due to the re-measurement of the accrued benefit obligations and related plan assets, the funded status (market value of assets less accrued benefit obligations) has increased from a deficit of \$429 million at December 31, 2019 to a deficit of \$156 million at March 31, 2020. The deficit of \$156 million is net of a funded surplus of \$109 million related to the Retirement Plan for Employees of Canadian Utilities Limited and Participating Companies (CU Plan).

The retirement benefit asset of the CU Plan has been measured at the lower of the funded surplus (\$109 million) and the asset ceiling (\$92 million). Key assumptions used to determine the asset ceiling amount include a discount rate of 4.1 per cent and that the Company expects to realize the asset through future contribution holidays.

At March 31, 2020, the Company has recognized a retirement benefit asset of \$92 million and retirement benefit obligations of \$265 million.

10. CASH FLOW INFORMATION

ADJUSTMENTS TO RECONCILE EARNINGS TO CASH FLOWS FROM OPERATING ACTIVITIES

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

	2020	2019
Depreciation and amortization	156	167
Earnings from investment in associate company	(3)	(4)
Dividends received from associate company	17	12
Earnings from investment in joint ventures, net of dividends and distributions received	(3)	–
Income tax expense	63	84
Unrealized gains on mark-to-market forward and swap commodity contracts	(7)	(8)
Contributions by customers for extensions to plant	26	25
Amortization of customer contributions	(14)	(15)
Net finance costs	99	123
Income taxes paid	(8)	(34)
Other	16	3
	342	353

CASH POSITION

Cash position in the unaudited interim consolidated statements of cash flows at March 31 is comprised of:

	2020	2019
Cash	1,148	616
Short-term investments	4	–
Restricted cash ⁽¹⁾	55	85
Cash and cash equivalents	1,207	701

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

11. FINANCIAL INSTRUMENTS

FAIR VALUE MEASUREMENT

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

Financial Instruments	Fair Value Method
Measured at Amortized Cost	
Cash and cash equivalents, accounts receivable and contract assets, and accounts payable and accrued liabilities	Assumed to approximate carrying value due to their short-term nature.
Finance lease receivables	Determined using a risk-adjusted interest rate to discount future cash receipts (Level 2).
Long-term debt	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 are as follows:

Recurring Measurements	March 31, 2020		December 31, 2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Finance lease receivables	168	249	179	227
Financial Liabilities				
Long-term debt	9,370	10,443	9,436	11,098

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The Company's derivative instruments are measured at fair value. At March 31, 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 relating to expenditures denominated in U.S. dollars, Australian dollars and Mexican pesos; 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:

Recurring Measurements	Subject to Hedge Accounting		Not Subject to Hedge Accounting		Total Fair Value of Derivatives
	Interest Rate Swaps	Commodities	Commodities	Foreign Currency Forward Contracts	
March 31, 2020					
Financial Assets					
Prepaid expenses and other current assets ⁽¹⁾	–	15	8	1	24
Other assets ⁽¹⁾	–	13	6	–	19
Financial Liabilities					
Other current liabilities ⁽¹⁾	2	6	4	–	12
Other liabilities ⁽¹⁾	20	4	2	–	26
December 31, 2019					
Financial Assets					
Prepaid expenses and other current assets ⁽¹⁾	–	20	–	–	20
Other assets ⁽¹⁾	5	21	–	–	26
Financial Liabilities					
Other current liabilities ⁽¹⁾	1	11	–	2	14
Other liabilities ⁽¹⁾	5	10	–	–	15

⁽¹⁾ At March 31, 2020, financial assets include \$8 million of Level 3 derivative financial instruments (December 31, 2019 - financial liabilities included \$7 million).

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			Not Subject to Hedge Accounting		
	Interest Rate Swaps	Natural Gas ⁽¹⁾	Power ⁽²⁾	Natural Gas ⁽¹⁾	Power ⁽²⁾	Foreign Currency Forward Contracts
March 31, 2020						
Purchases ⁽³⁾	–	12,588,920	2,346,002	–	–	–
Sales ⁽³⁾	–	4,474,253	1,066,662	14,716,294	1,158,100	–
Currency						
Canadian dollars	95	–	–	–	–	–
Australian dollars	743	–	–	–	–	–
Mexican pesos	570	–	–	–	–	100
U.S. dollars	–	–	–	–	–	46
Maturity	2023-2028	2020-2024	2020-2024	2020-2025	2020-2025	2020
December 31, 2019						
Purchases ⁽³⁾	–	19,680,771	2,627,765	–	–	–
Sales ⁽³⁾	–	20,456,673	2,215,145	7,000,000	–	–
Currency						
Canadian dollars	96	–	–	–	–	–
Australian dollars	743	–	–	–	–	–
Mexican pesos	570	–	–	–	–	100
U.S. dollars	–	–	–	–	–	46
Maturity	2020-2028	2020-2024	2020-2024	2020-2021	–	2020

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

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

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

12. COVID-19 PANDEMIC

At the end of 2019, a novel strain of coronavirus (COVID-19) emerged and spread globally. The World Health Organization has since declared the state of a global pandemic. The COVID-19 outbreak and related measures taken by the authorities in the jurisdictions of the Company's operations are disrupting financial and commodity markets, supply chains, and affecting production and sales across different industries in private and public sectors.

The Company has introduced measures, procedures and protocols to foster the health and safety of its employees, vendors and customers. These measures are based on the Company's health and safety policies as well as the recommendations from public health authorities, other designated government institutions and medical experts. These enhanced protocols include travel restrictions, workplace hygiene practices, employee absence tracking, additional personal protective equipment for essential workers, limiting access to facilities, and alternative work options for employees where possible (i.e. working from home).

The Company's operations are exposed to a variety of business and financial risks as a result of a public health threat, such as COVID-19. These risks include, but are not limited to, decline in customer demand, increase in operating costs, interruption of project work, credit risk associated with customer non-payment, access to financing and change in the timing of cash flows.

In the first quarter of 2020, the Company's operations, financial position and performance have not been significantly impacted. This is primarily due to the nature of the Company's operations which are considered to be essential services. However, the extent to which COVID-19 may further impact the Company's operations, its consolidated financial position and performance remains uncertain, and will depend on further developments, including the duration and spread of the outbreak, its impact on the Company's customers, suppliers and employees and actions taken by governments. Management continues to closely monitor the situation in the jurisdictions in which the Company operates.