FORTISALBERTA INC.

An indirect subsidiary of Fortis Inc.

Audited Financial Statements

For the years ended December 31, 2024 and 2023

Deloitte.

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Independent Auditor's Report

To the Shareholder of FortisAlberta Inc.:

Opinion

We have audited the financial statements of FortisAlberta Inc. (the "Corporation"), which comprise the balance sheets as at December 31, 2024 and 2023, and the statements of income and comprehensive income, changes in shareholder's equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2024 and 2023, and the results from its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the financial statements for the year ended December 31, 2024. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Regulatory Assets and Liabilities – Impact of Rate Regulation — Refer to Notes 2 and 5 to the financial statements

Key Audit Matter Description

The Corporation is regulated by the Alberta Utilities Commission (the "AUC"), pursuant to the Electric Utilities Act, the Public Utilities Act, the Hydro and Electricity Energy Act, and the Alberta Utilities Commission Act. The AUC administers these acts and regulations covering such matters as revenue requirements, customer rates, construction of assets, operations, and financing. Rates and resultant earnings of the Corporation's regulated operations are determined under cost of service regulation for 2023, and using performance-based rate-setting mechanisms for 2024. The Corporation's rate regulation is premised on the provision of a reasonable opportunity to recover its prudently incurred costs of providing utility service, including a fair return on the common shareholder's equity ("ROE"). Accounting for the economics of rate regulation impacts multiple financial statement line items and disclosures, such as property, plant, and equipment; regulatory assets and liabilities; operating revenues and expenses; and depreciation expense.

We identified the impact of rate regulation as a key audit matter due to the significant judgments made by management to support its assertions about impacted account balances and disclosures and the high degree of subjectivity involved in assessing the potential impact of future regulatory orders on the financial statements. Management judgments include assessing the likelihood of recovery of costs incurred or a refund to customers through the rate-setting process. While the Corporation has indicated that it expects to recover costs from customers through regulated rates, there is a risk that the regulatory authority will not approve ratemaking that will support the full recovery of the costs and a reasonable ROE. Auditing these matters required especially subjective judgement and specialized knowledge of accounting for rate regulation due to its inherent complexities.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to the likelihood of recovery of costs incurred or a refund to customers through the rate-setting process, included the following, among others:

- Evaluating the effectiveness of controls over the monitoring and evaluation of regulatory developments that may affect the likelihood of recovering costs in future rates or of a future reduction in rates.
- Assessing relevant regulatory orders, regulatory statutes and interpretations as well as procedural memorandums, utility and intervener filings, and other publicly available information to evaluate the likelihood that future rates will provide recovery of costs incurred to provide utility service or, conversely, that future rates will not provide for sufficient recovery of costs, including the ability to earn a reasonable ROE.
- For regulatory matters in process, inspecting the Corporation's filings for any evidence that might contradict management's assertions.
- Evaluating the Corporation's disclosures related to the impacts of rate regulation, including the balances recorded and regulatory developments.

Other Information

Management is responsible for the other information. The other information comprises:

- Management’s Discussion and Analysis

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the 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 financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management’s Discussion and Analysis prior to the date of this auditor’s report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor’s report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Corporation’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 Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 GAAS 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Corporation'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 Corporation'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 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 Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 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 Mandeep Singh.

/s/ Deloitte LLP

Chartered Professional Accountants
Calgary, Alberta
February 13, 2025

FORTISALBERTA INC.
BALANCE SHEETS

As at (all amounts in millions of Canadian dollars)	December 31, 2024	December 31, 2023
Assets		
Current assets		
Cash and cash equivalents	$ —	$ 77
Accounts receivable (note 4)	188	194
Prepaids and deposits	23	19
Income tax receivable	—	1
Regulatory assets (note 5)	11	2
Total current assets	222	293
Regulatory assets (note 5)	491	460
Property, plant and equipment, net (note 6)	5,083	4,839
Intangible assets, net (note 7)	151	139
Other assets (note 8)	4	3
Goodwill (note 9)	231	228
Total Assets	$ 6,182	$ 5,962
Liabilities and Shareholder's Equity		
Current liabilities		
Short-term borrowings (note 12)	$ 120	$ 95
Accounts payable and other current liabilities (note 10)	255	312
Current portion of long-term debt (note 12)	—	150
Income tax payable	1	—
Regulatory liabilities (note 5)	58	122
Total current liabilities	434	679
Other liabilities (note 11)	46	50
Regulatory liabilities (note 5)	561	523
Deferred income tax (note 19)	480	453
Long-term debt (note 12)	2,815	2,517
Total Liabilities	4,336	4,222
Shareholder's Equity		
Share capital, no par value, unlimited authorized shares, 63 shares issued and outstanding (December 31, 2023 – 63) (note 15)	174	174
Additional paid-in capital (note 16)	815	775
Accumulated other comprehensive income (note 17)	4	4
Retained earnings	853	787
Total Shareholder's Equity	1,846	1,740
Total Liabilities and Shareholder's Equity	$ 6,182	$ 5,962

Commitments and contingencies (note 20)

Mona Hale
Director

Guy A. Bridgeman
Director

The accompanying notes are an integral part of these audited financial statements.

FORTISALBERTA INC.

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(all amounts in millions of Canadian dollars)	Years ended December 31, 2024	2023
Revenues (note 13)		
Electric rate revenue	$ 854	$ 774
Alternative revenue	10	10
Other revenue	37	30
Total Revenues	901	814
Expenses		
Cost of sales	279	257
Depreciation	266	244
Amortization	25	21
Total Expenses	570	522
Other income	11	6
Interest expense (note 14)	135	125
Income Before Income Tax	207	173
Income tax expense (note 19)	26	12
Net Income and Comprehensive Income	$ 181	$ 161

The accompanying notes are an integral part of these audited financial statements.

FORTISALBERTA INC.

STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY

	Years ended December 31,	
(all amounts in millions of Canadian dollars)	**2024**	**2023**
Share Capital (note 15)		
Balance, beginning and end of year	$ 174	$ 174
Additional Paid-in Capital (note 16)		
Balance, beginning of year	$ 775	$ 775
Equity contributions	40	—
Balance, end of year	$ 815	$ 775
Accumulated Other Comprehensive Income (note 17)		
Balance, beginning and end of year	$ 4	$ 4
Retained Earnings		
Balance, beginning of year	$ 787	$ 731
Net income and comprehensive income	181	161
Dividends (note 15)	(115)	(105)
Balance, end of year	$ 853	$ 787
Total Shareholder’s Equity	$ 1,846	$ 1,740

The accompanying notes are an integral part of these audited financial statements.

FORTISALBERTA INC.
STATEMENTS OF CASH FLOWS

	Years ended December 31,	
(all amounts in millions of Canadian dollars)	**2024**	**2023**
Operating Activities		
Net income	$ 181	$ 161
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation	266	244
Amortization	25	21
Amortization of deferred financing fees	1	1
Deferred income tax (note 19)	2	—
Equity component of allowance for funds used during construction	(7)	(3)
Gain on sale of property, plant and equipment	—	(2)
Change in long-term regulatory assets and liabilities	(3)	—
Change in other non-current operating assets and liabilities	(5)	(4)
Change in non-cash operating working capital (note 23)	(157)	114
Cash from operating activities	303	532
Investing Activities		
Additions to property, plant and equipment	(508)	(572)
Electric distribution system transfer (note 22)	(11)	—
Customer contributions for property, plant and equipment	64	51
Additions to intangible assets	(34)	(36)
Proceeds from disposition of property, plant and equipment	11	9
Cash used in investing activities	(478)	(548)
Financing Activities		
Net change in bank indebtedness	5	(6)
Proceeds from long-term debt	300	200
Deferred financing fees	(2)	(1)
Repayment of long-term debt	(150)	—
Borrowings under committed credit facility	1,707	2,046
Repayments under committed credit facility	(1,687)	(2,041)
Dividends (note 15)	(115)	(105)
Equity contributions	40	—
Cash from financing activities	98	93
Change in cash and cash equivalents	(77)	77
Cash and cash equivalents, beginning of year	77	—
Cash and cash equivalents, end of year	$ —	$ 77

Supplemental cash flow information (note 23)

The accompanying notes are an integral part of these audited financial statements.

NOTES TO THE AUDITED FINANCIAL STATEMENTS

1. ENTITY DEFINITION AND NATURE OF OPERATIONS

FortisAlberta Inc. (the "Corporation" or "FortisAlberta") is a regulated electric distribution utility that operates solely in the Province of Alberta. Its business is the ownership and operation of electric facilities that distribute electricity generated by other market participants from high-voltage transmission substations to end-use customers. The Corporation is not involved in the generation of electricity. The Corporation does not own or operate generation or transmission assets and is not involved in the direct sale of electricity. Notwithstanding the foregoing, the Corporation is statutorily required to facilitate the interconnection of distributed generation facilities and micro-generation facilities to its distribution system.

The Corporation is regulated by the Alberta Utilities Commission ("AUC") pursuant to the Alberta Utilities Commission Act ("AUCA"). The AUC's jurisdiction, pursuant to the Electric Utilities Act, the Public Utilities Act, the Hydro and Electric Energy Act and the AUCA, includes the approval of distribution tariffs for regulated distribution utilities such as the Corporation, including the rates and terms and conditions on which service is to be provided by those utilities. The Corporation recognizes amounts to be recovered from, or refunded to, customers in those periods in which related applications are filed with, or decisions are received from, the AUC. The timing of recognition of certain assets, liabilities, revenues and expenses as a result of regulation may differ from that otherwise expected using the accounting principles generally accepted in the United States of America ("US GAAP") for entities not subject to rate regulation.

The Corporation is a wholly-owned subsidiary of Fortis Alberta Holdings Inc., which is an indirect wholly-owned subsidiary of Fortis Inc. ("Fortis"), a leader in the North American electric and natural gas utility business. Fortis shares are listed on both the Toronto Stock Exchange and the New York Stock Exchange.

2. REGULATORY MATTERS

2023 Cost-of-Service ("COS") and Annual Rates Applications
For 2023, the Corporation transitioned into a one year COS rebasing year. In 2022, the AUC approved an overall distribution revenue requirement of approximately $660 million in support of FortisAlberta's 2023 capital expenditure program, as well as the Corporation's operating and income tax costs, and also reflected a reduction of approximately $10 million for the effects of a prior AUC decision in the Corporation's most recent Phase II application, that prevented the recovery of costs allocated to Rural Electrification Associations ("REA") under the Corporation's regulated tariff. In 2022, the Court of Appeal of Alberta ("the Court") granted and heard the Corporation's appeal of the REA cost recovery aspect of the AUC's Phase II decision. On April 28, 2023, the Court dismissed the Corporation's appeal.

Amounts approved in the Corporation's 2023 rates and riders included: (i) a 5% increase in base distribution rates incorporating the collection of the Corporation's 2023 base distribution revenue requirement of approximately $660 million; and (ii) a net collection of $3.5 million associated with the true-up of Y factors for the Second Performance Based Regulation Term K-Bar and Alberta Electric System Operator ("AESO") contributions hybrid deferral amounts, as well as the collection of $9.7 million, inclusive of tax gross-up, associated with the operation of the efficiency carry-over mechanism ("ECM"). The Corporation's 2023 rates will continue to be interim pending the initiation and completion of an AUC proceeding in which FortisAlberta will seek approval of an updated depreciation study. A decision on the depreciation study, and the associated changes to going-in rates, are expected to be received in 2025.

Third Generation Performance-Based Regulation ("PBR") Plan
From January 1, 2024, through December 31, 2028, the Corporation will operate under a third generation PBR plan. This PBR plan will adjust FortisAlberta's distribution rates annually using an "I-X" escalation formula (the "formula") that incorporates an inflation factor ("I") and a productivity factor ("X"), as well as the inclusion of an X factor premium. The X factor premium is applied to base PBR rates and is intended to share efficiency benefits with customers on an annual basis. This formula will be applied to the preceding year's distribution rates at the end of each year of the PBR term to determine the subsequent year's PBR revenues.

The Corporation's base distribution rates for the third PBR term were determined using the 2023 COS revenue requirement. In 2024, the Corporation updated its base distribution rates in accordance with directions provided in the Third Generation PBR Compliance Filing decision. The impacts of any changes to return on equity ("ROE"), cost of debt and capital structure during the PBR term applies only to the portion of rate base that is funded by revenue provided by mechanisms separate from going-in rates escalated by the formula. Any changes in these items are recoverable through annual true-ups associated with these mechanisms.

During the third PBR term, incremental capital funding to recover costs related to capital expenditures that are not recovered through going-in rates escalated by the formula is available through a K-bar mechanism, with limited opportunity for additional capital funding being made available through a capital tracker mechanism or "Type 1" capital. A K-bar amount is established for each year of the third PBR term based on the revenue requirement associated with the Corporation's approved 2023 COS rate base of approximately $4,100 million, and a level of annual capital additions premised on 2018 - 2022 historical averages that are escalated as prescribed by the AUC. Ongoing escalation of K-bar amounts will incorporate I-X, exclusive of the X factor premium, and a customer growth escalator. The decision assumes that adequate future funding for certain capital expenditure programs approved on a forecast basis as part of the 2023 COS rebasing will be obtained from K-bar based on the escalated historical capital additions. Type 1 capital funding may be provided for capital expenditures that are material, not previously included in the utility's rate base, and are required by a third party. Eligible capital expenditures may include those related to net-zero objectives.

The third PBR term includes mechanisms for the recovery or settlement of items determined to flow through directly to customers ("Y factor") as well as a Z factor which permits an application for recovery of costs related to significant unforeseen events in excess of an established threshold. An asymmetrical earnings sharing mechanism ("ESM") is also included in the third generation PBR plan. The asymmetrical ESM incorporates a 200 basis point deadband above the approved ROE and two marginal sharing ranges. In the range of 200 bps to 400 bps, 60% of earnings will be retained by the utility. In the range of 400 bps to 500 bps, 20% of earnings are retained by the utility. Earnings in excess of 500 bps above the approved ROE may trigger a plan re-opener that would address specific problems with the design or operation of the PBR plan.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation
These financial statements have been prepared by management in accordance with US GAAP as codified in the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"). The preparation of the financial statements in accordance with US GAAP requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Certain estimates are necessary since the regulatory environment in which the Corporation operates often requires amounts to be recorded at estimated values until finalization and adjustments, if any, are determined pursuant to subsequent regulatory decisions or other regulatory proceedings.

Critical accounting estimates made by management include current and deferred income tax, contingent liabilities due to general litigation, depreciation, amortization, pension and other post-employment benefits ("OPEB"), goodwill impairment, accrued revenue, and regulatory assets and liabilities. Due to the inherent uncertainty in making such estimates, actual results reported in future periods could differ materially from those estimated. There were no material changes to the Corporation's critical accounting estimates for the year ended December 31, 2024 as compared to December 31, 2023.

Cash and Cash Equivalents
Cash and cash equivalents are comprised of cash and highly liquid investments with original maturities of three months or less.

Accounts Receivable and Allowance for Credit Losses
Accounts receivable are measured at fair value and reported at the gross outstanding amount adjusted for an allowance for credit losses. The Corporation assesses credit loss risk and maintains an accumulated allowance for credit losses for uncollectible customer accounts receivable based on accounts receivable aging, historical experience and collection data, current economic conditions (including forward-looking information) and other currently available customer specific information. Interest is charged on overdue accounts receivable balances.

Accounts receivable are written off to bad debt expense in the statements of income and comprehensive income in the period the receivable is determined to be uncollectible.

Property, Plant and Equipment
Property, plant and equipment is recorded at cost less accumulated depreciation and unamortized customer contributions. The cost of constructed assets includes direct labour, materials, an allocation of overhead costs, and a portion of the depreciation of assets, such as tools and vehicles, used in the construction of other assets. Property, plant and equipment includes AESO contributions, made prior to April 2021, which are customer contribution investments required to partially fund the construction of transmission facilities. Subsequent to April 2021, the Corporation is required to make these contributions as an operating expense that is recoverable in customer rates. Materials and supplies are included within property, plant and equipment and are recorded at weighted average cost.

The Corporation's assets may be constructed with financial assistance in the form of contributions from customers. These contributions are recorded as a reduction to property, plant and equipment and are depreciated over the life of the related assets.

Depreciation estimates are based on depreciation rates derived from capital asset balances and depreciation parameters, including the service life of assets and expected net salvage percentages. Management annually assesses if updates are required to depreciation rates based on changes in capital asset balances and new information related to the service life of assets and, if necessary, changes in the depreciation rates are accounted for prospectively.

Depreciation is provided on a straight-line basis based on various asset classes.

Depreciation rates include an allowed provision for regulatory purposes for future costs of removal. The amount provided for in depreciation expense is recorded as a long-term regulatory liability. Actual costs incurred by the Corporation to remove assets from service are recorded against the regulatory liability when incurred.

Generally, when a regulated asset is retired or disposed of in the normal course there is no gain or loss recorded in net income. The difference between the cost and accumulated depreciation of the asset, net of salvage proceeds, is charged to accumulated depreciation. It is expected that any gain or loss that is charged to accumulated depreciation will be reflected in future depreciation expense. Assets and land that are not in the regulated rate base are subject to gains or losses recorded in net income.

The Corporation capitalizes and includes in property, plant and equipment an allowance for funds used during construction ("AFUDC"), which represents an amount allowed for regulatory purposes for financing costs during construction. AFUDC is recovered in customer rates over the life of the related assets through depreciation expense.

Intangible Assets
Intangible assets are recorded at cost, which includes direct labour and an allocation of overhead costs, less accumulated amortization. Costs incurred to renew or extend the term of intangible assets are capitalized and amortized over the useful life of the asset.

Amortization estimates are based on amortization rates derived from capital asset balances and depreciation parameters, including the service life of assets and expected net salvage percentages. Management annually assesses if updates are required to amortization rates based on changes in capital asset balances and new information related to the service life of assets and, if necessary, changes in the amortization rates are accounted for prospectively.

Amortization is provided on a straight-line basis at various rates based on various asset classes.

Generally, when a regulated asset is retired or disposed of in the normal course, there is no gain or loss recorded in net income. The difference between the cost and accumulated amortization of the asset, net of salvage proceeds, is charged to accumulated amortization. It is expected that any gain or loss that is charged to accumulated amortization will be reflected in future amortization expense.

The Corporation capitalizes and includes in intangible assets an amount for AFUDC, which represents the amount allowed for regulatory purposes for financing costs during construction. AFUDC is recovered in customer rates over the life of the assets through amortization expense.

Impairment of Long-lived Assets
The Corporation reviews the valuation of long-lived assets subject to depreciation or amortization when events or changes in circumstances may indicate or cause its carrying value to exceed the total undiscounted cash flows expected from its use and eventual disposition. An impairment loss, if any, would be recorded as the excess of the carrying value of the asset over its fair value.

Asset-impairment testing is carried out at the enterprise level to determine if assets are impaired. The recovery of regulated assets' carrying value, including a fair return on capital or assets, is provided through customer electricity rates approved by the AUC. The net cash inflows for the Corporation are not asset-specific but are pooled for the entire regulated utility. There was no impairment of regulated long-lived assets for the years ended December 31, 2024 and 2023.

Goodwill
Goodwill represents the excess of the purchase price over the fair value of net identifiable assets on the acquisition of a business. The goodwill recognized in the financial statements primarily results from push-down accounting applied when the Corporation was acquired by Fortis in 2004, as well as goodwill recognized in conjunction with acquisitions of REAs and municipalities. Goodwill, which is not amortized, is recorded at initial cost less any write-down for impairment.

The carrying value of goodwill is assessed for impairment annually, or more frequently if events or changes in circumstances arise that suggest the carrying value of goodwill may be impaired. If that is the case, goodwill is written down to estimated fair value and an impairment loss is recognized. No such event or change in circumstances occurred during the year ended December 31, 2024.

The Corporation's assessment of goodwill impairment was performed during the year and indicated that no adjustment for impairment was required for the year ended December 31, 2024.

Pension and Other Post-Employment Benefits

All accrued obligations for defined benefit pension and OPEB plans are determined using the projected benefits method prorated on services. Future salary levels affect the amount of employee future benefits for the defined benefit pension plans. In valuing the defined benefit pension and OPEB costs, the Corporation uses management's best estimate assumptions. For the liability discount rate, the Corporation uses the long-term market rate of high-quality debt instruments at the measurement date.

The Corporation uses third party quoted values to value plan assets. Unrecognized actuarial gains and losses more than 10% of the greater of the benefit obligation and the market-related value of plan assets are amortized into net income over the expected average remaining service period of the active employees receiving benefits under the plan. Unamortized past service costs resulting from plan amendments are amortized into net income over the expected average remaining service period of the active employees receiving benefits as at the date of amendment.

The funded status of each of the defined benefit pension and OPEB plans is recognized on the balance sheet. The funded status is measured as the difference between the fair value of the plan assets and the benefit obligation. With respect to the defined benefit plans, any unrecognized actuarial gains and losses and past service costs and credits that arise during the period are subject to deferral treatment. In the case of the OPEB plan, unrecognized actuarial gains and losses and past service costs and credits are not subject to deferral treatment and are recognized as a component of other comprehensive income.

The Corporation recovers in customer rates employee future benefit costs based on estimated cash payments. Any difference between the expense recognized under US GAAP for defined benefit pension plans and that recovered in current rates, which is expected to be recovered or refunded in future rates, is subject to deferral treatment. Any difference between the expense recognized under US GAAP for the OPEB plan and that recovered in current rates is not subject to deferral treatment and is recognized in net income in the year.

Revenue Recognition
Revenue from Contracts with Customers
The Corporation's distribution revenue is generated from the distribution of electricity to end-use customers based on published tariff rates, as approved by the AUC. Revenues are recognized in the period services are provided, at AUC approved rates where applicable, and when collectability is reasonably assured.

The majority of the Corporation's contracts have a single performance obligation as the promise to transfer individual goods or services is not separately identifiable from other obligations in the contracts and therefore not distinct. Electric distribution billing is primarily based on capacity charges that are entered into with contracts with customers to deliver electricity up to a maximum capacity in kilowatts or kilovolt amps. The Corporation's performance obligations are satisfied over time as energy is delivered because of the continuous transfer of control to the customer measured in kilowatts, as an output measure of progress.

In accordance with the Electric Utilities Act ("*EUA")*, the Corporation is required to arrange and pay for transmission service with the AESO and collect transmission revenue from its customers, which is done by invoicing the customers' retailers through the Corporation's transmission component of its AUC approved rates. As the Corporation is solely a distribution utility and, as such, does not own or operate any transmission facilities, it is largely a conduit for the flow through of transmission costs to end-use customers as the transmission facility owner does not have a direct relationship with the customers. Therefore, the Corporation reports revenues and expenses related to transmission services on a net basis in other revenue in the statements of income and comprehensive income.

Alternative Revenue
Alternative revenue programs allow utilities to adjust future rates in response to past activities or completed events if certain criteria established by the AUC are met. The Corporation has identified its ECM as alternative revenue. The ECM provided an incentive by permitting a utility to continue to benefit from efficiency gains achieved during the PBR term for two years following the end of that term. If a utility achieves a return on equity over a PBR term greater than the approved return, the utility is eligible to collect additional PBR revenue, calculated to a maximum of 50 basis points on the equity portion of the notional rate base, for the first two years of the subsequent term.

Other Revenue
Other revenue is primarily comprised of revenue from the provision of tariff-related services provided to customers and revenue from an arrangement, whereby the Corporation conveys its retail electricity service obligations to EPCOR Energy Alberta GP Inc. ("EPCOR") under an eight-year Customer Rights Agreement (the "Agreement") beginning January 1, 2021. The *EUA* provides that an owner of an electric distribution system is required to act, or to authorize a substitute party to act, as a provider of retail electricity services, including the wholesale purchase and retail sale of electricity, to eligible customers under a regulated rate option and as a default supplier to customers otherwise unable to obtain electricity services. The Agreement provides for successive options to renew every three-years after the initial eight-year term and compensation is recalculated for the renewal term.

Revenue is recognized evenly over the term of the Agreement as there is one performance obligation satisfied over time as EPCOR simultaneously receives and consumes the benefits of the Agreement. The revenue from the renewal periods is not recognized until EPCOR can use and benefit from the Agreement, which is the beginning of each renewal term. Any changes to revenues associated with the contract will be treated as variable revenue.

The transaction price has been allocated to the performance obligation, being each year of the Agreement, based on the stand-alone selling price of the performance obligation. Any consideration received in advance of performance by the Corporation is attributed to unfulfilled performance obligations and has been recorded as a contract liability within other liabilities and accounts payable and other current liabilities on the balance sheets, refer to notes 10, 11 and 13.

Goods and Services Tax ("GST")
In the course of its operations, the Corporation collects GST from its customers. When customers are billed, a current liability for GST is recognized that corresponds to the revenue derived from the services provided by the Corporation. When expenses are incurred by the Corporation, a current asset for GST is recorded that corresponds to the expenditures derived from the goods or services received by the Corporation. The Corporation's reported revenues and expenses exclude GST. The net asset or liability is settled with the Canada Revenue Agency ("CRA").

Financial Instruments
Financial instruments are contracts that give rise to a financial asset of one party and a financial liability or equity instrument of another party. Financial instruments are recorded initially at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Subsequent measurement depends on how the financial instrument has been classified. The Corporation's financial instruments, which include accounts receivable, accounts payable, accrued liabilities, short-term borrowings, dividends payable, other long-term liabilities and long-term debt, are measured at amortized cost, using the effective interest method.

Debt Issuance Costs
Any costs, debt discounts and premiums related to the issuance of long-term debt are recognized against long-term debt and are amortized over the life of the related long-term debt using the effective interest rate method.

Income Tax
The Corporation follows the asset and liability method of accounting for income tax. For regulatory purposes, income tax expense is recovered through customer rates based on income tax that is currently payable. As such, current customer rates do not include the recovery of deferred income tax related to temporary differences between the income tax basis of assets and liabilities and their carrying amounts. The Corporation recognizes an offsetting regulatory asset for income tax that is expected to be collected in future rates.

Income tax interest and penalties are expensed as incurred and included in interest expense. Investment tax credits are deducted from the related assets and are recognized as income tax receivable, to be recovered when the Corporation utilizes the investment tax credits in a future period.

Income tax benefits associated with income tax positions taken, or expected to be taken, on an income tax return are recognized only when it is more likely than not that a tax position will be sustained upon examination by the taxing authorities based on the merits of the position. The income tax benefits are measured at the largest amount of benefit that is greater than 50% likely of being realized upon settlement. The difference between an income tax position taken, or expected to be taken, and the benefit recognized represents an unrecognized income tax benefit.

Segment Reporting
The Corporation has a single reportable segment, being the distribution of electricity to customers in Alberta.

The Corporation's chief operating decision maker ("CODM") is the president and chief executive officer. The CODM assesses the performance of the single reportable segment by regularly reviewing financial information, including significant expense categories, presented in a manner consistent with the Statement of Income. The Company’s net income is reviewed by the CODM in the annual business planning process and actual to forecast variances are considered when making decisions about the level of operating resources within the single reportable segment.

Adoption of Accounting Pronouncements
Accounting Standards Updates ("ASU") 2023-07 Segment Reporting (Topic 280), *Improvements to Reportable Segment Disclosures*, was adopted for the year ended December 31, 2024.

Future Accounting Pronouncements
The Corporation considers the applicability and impact of all ASUs issued by the FASB. The following updates have been issued by the FASB but have not yet been adopted by the Corporation. Any ASUs not included below were assessed and determined to be either not applicable to the Corporation or not expected to have a material impact on the financial statements.

Income Tax Disclosures
ASU 2023-09 *Income Taxes (Topic 740)*, *Improvements to Income Tax Disclosures*, is effective on January 1, 2025 on a prospective basis, with retrospective application and early adoption permitted. The ASU requires additional disclosure of income tax information by jurisdiction to reflect an entity's exposure to potential changes in tax legislation and associated risks and opportunities. The Corporation does not expect that the adoption of this update will have a material impact on its disclosures.

Disaggregation of Income Statement Expenses
ASU 2024-03 *Income Statement (Subtopic 220-40), Reporting Comprehensive Income, Expense Disaggregation Disclosures*, was issued in November 2024, is effective January 1, 2027 and will be applied on a prospective basis. This ASU requires additional disclosure of specific cost and expense information in the notes to the financial statements. The Corporation is assessing the impact of adoption.

(All amounts in millions of Canadian dollars, unless otherwise noted)

International Financial Reporting Standards Exemption
In May 2022, the Alberta Securities Commission ("ASC") approved the extension of the Corporation's exemptive relief to continue reporting under US GAAP rather than IFRS Accounting Standards until the earlier of January 1, 2027 and the later of (i) the effective date prescribed by the International Accounting Standards Board ("IASB") for the mandatory application of a standard within IFRS Accounting Standards specific to entities with activities subject to rate regulation or (ii) two years after the IASB publishes the final version of a mandatory rate-regulated standard. Management continues to assess and monitor the development of the IFRS Accounting Standards rate regulation standard and evaluate next steps.

4. ACCOUNTS RECEIVABLE

The timing of revenue recognition, billings and cash collections results in billed and unbilled accounts receivable. The balances of the Corporation's accounts receivable as at December 31 were as follows:

	2024	2023
Accrued unbilled accounts receivable	$ 168	$ 192
Billed accounts receivable	18	2
Employee receivables	1	1
Other [1]	7	5
Allowance for credit losses	(6)	(6)
Total accounts receivable	$ 188	$ 194

[1] *Includes customer contributions and GST.*

Allowance for Credit Losses
Accounts receivable are recorded net of an allowance for credit losses. The credit loss allowance for the year ended December 31, 2024 considers current and forecasted economic conditions.

The change in allowance for credit losses balance is as follows:

	2024	2023
Balance, beginning of year	$ (6)	$ (2)
Credit loss allowance	(1)	(4)
Write-offs, net of recoveries	1	—
Balance, end of year	$ (6)	$ (6)

(All amounts in millions of Canadian dollars, unless otherwise noted)

5. REGULATORY ASSETS AND LIABILITIES

Regulatory assets represent amounts that are expected to be recovered from customers in future periods. Regulatory liabilities represent the current recovery of future costs or amounts that are expected to be refunded to customers in future periods. Based on existing or expected AUC decisions, the Corporation has recorded the following regulatory assets and liabilities.

	2024	2023	Remaining Recovery Period (years)
Regulatory assets			
Deferred income tax (i)	$ 481	$ 456	Life of related assets
AESO charges deferral (ii)	—	1	1-2
Regulatory defined benefit pension deferrals (iii)	7	5	Benefit payment period
Incremental capital deferral (vi)	9	—	1-2
PBR rebasing deferral (viii)	5	—	1
Total regulatory assets	502	462	
Less: current portion	11	2	
Long-term regulatory assets	$ 491	$ 460	

	2024	2023	Remaining Settlement Period (years)
Regulatory liabilities			
Future cost of removal (v)	$ 557	$ 521	Life of related assets
AESO charges deferral (ii)	58	121	1-2
Y factor deferral (iv)	1	2	1-2
A1 rider deferral (vii)	1	1	1
PBR rebasing deferral (viii)	2	—	1
Total regulatory liabilities	619	645	
Less: current portion	58	122	
Long-term regulatory liabilities	$ 561	$ 523	

(i) Deferred Income Tax
This balance represents the amount of deferred income tax expected to be recovered from, or refunded to, customers in future rates when the income tax becomes receivable or payable.

(ii) AESO Charges Deferral
These balances represent the difference in revenue collected and expenses incurred for transmission-related items that are expected to be collected or refunded in future customer rates. As at December 31, 2024, the regulatory liability primarily represented the over collection of the AESO charges deferral account for 2022, 2023 and 2024.

(iii) Regulatory Defined Benefit Pension Deferrals
This balance represents the deferred portion of the expense related to the defined benefit pension plan and the supplemental employee retirement plan that is expected to be recovered from customers in future rates. Once recovered in customer rates, these deferred expenses will be recognized in net income. As prescribed by the AUC, expenses are recovered in customer rates and recognized in net income based on the cash payments.

(iv) Y Factor Deferral
This balance represents the future recovery or settlement of items determined to flow through directly to customers, such as property and business taxes, AESO load settlement expenses, AUC assessment fees, farm transmission credits, hearing costs, AESO contributions and Emergency Billing Relief Program.

(All amounts in millions of Canadian dollars, unless otherwise noted)

(v) Future Cost of Removal

This regulatory liability represents amounts collected in customer electricity rates over the life of certain property, plant and equipment which are attributable to removal costs that are expected to be incurred in the future. Actual removal costs are recorded against the regulatory liability when incurred. The regulatory liability represents the amount of future removal costs associated with the applicable property, plant and equipment in service as at December 31, calculated using current depreciation rates approved by the AUC.

(vi) Incremental Capital Deferral

The 2024 balance represents the under collection of K-bar revenue that is expected to be recovered from customers in 2025 and 2026.

(vii) A1 Rider Deferral

This balance represents the difference between the A1 rider revenue, which is the collection of linear taxes from customers in current rates by municipality, and the actual linear tax incurred.

(viii) PBR Rebasing Deferral

The 2024 balance represents the net impact of an under collection of 2023 and 2024 base distribution revenues that is expected to be recovered from customers in 2025 and an over collection of 2024 base distribution revenues that is expected to be refunded to customers in 2026.

6. PROPERTY, PLANT AND EQUIPMENT

2024	Cost	Accumulated Depreciation	Net Book Value
Distribution system	$ 6,567	$ (1,921)	$ 4,646
AESO contributions	538	(181)	357
Buildings and furniture	258	(88)	170
Buildings under operating leases	5	(2)	3
Indirect capitalized overhead	290	(58)	232
Vehicles and other equipment	188	(78)	110
Materials and supplies	60	—	60
Land	49	—	49
Construction in progress	75	—	75
Customer contributions	(1,102)	483	(619)
	$ 6,928	$ (1,845)	$ 5,083

2023	Cost	Accumulated Depreciation	Net Book Value
Distribution system	$ 6,193	$ (1,797)	$ 4,396
AESO contributions	538	(168)	370
Buildings and furniture	214	(83)	131
Buildings under operating leases	5	(2)	3
Indirect capitalized overhead	254	(48)	206
Vehicles and other equipment	166	(73)	93
Materials and supplies	81	—	81
Land	49	—	49
Construction in progress	93	—	93
Customer contributions	(1,050)	467	(583)
	$ 6,543	$ (1,704)	$ 4,839

(All amounts in millions of Canadian dollars, unless otherwise noted)

Depreciation rates are based upon the weighted average of the individual rates for each class of asset within the group. As at December 31, depreciation rates were as follows:

(%)	2024	2023
Distribution system	3.97	3.83
AESO contributions	2.56	2.56
Buildings and furniture	2.67	3.31
Buildings under operating leases	2.93	3.09
Indirect capitalized overhead	3.54	3.44
Vehicles and other equipment	11.23	12.41
Customer contributions	2.66	2.52

Distribution system assets are those used to distribute electricity at lower voltages (generally 25 kilovolts or lower). These assets include poles, low-voltage wires, transformers, underground conductors, street lighting, meters, metering equipment and other related equipment.

7. INTANGIBLE ASSETS

2024		Cost		Accumulated Amortization		Net Book Value
Computer software	$	187	$	(80)	$	107
Land rights		40		(13)		27
Indirect capitalized overhead		4		(1)		3
Intangibles construction in progress		14		—		14
	$	245	$	(94)	$	151

2023		Cost		Accumulated Amortization		Net Book Value
Computer software	$	167	$	(69)	$	98
Land rights		38		(12)		26
Indirect capitalized overhead		4		(1)		3
Intangibles construction in progress		12		—		12
	$	221	$	(82)	$	139

Amortization of intangible assets was $25 million for 2024 (2023 - $21 million). Amortization is expected to average approximately $18 million for each of the next five years.

Computer software is amortized using a composite rate based upon the weighted average of the individual rates for each class of asset within the group. Land rights are amortized on a straight-line basis over the term of the contract. As at December 31, the amortization rates of intangible assets were as follows:

(%)	2024	2023
Computer software	13.72	13.07
Land rights	1.44	1.40
Indirect capitalized overhead	3.54	3.44

(All amounts in millions of Canadian dollars, unless otherwise noted)

As at December 31, the service life ranges and the weighted average remaining service lives of intangible assets were as follows:

(Years)	**2024**		**2023**	
	Service Life Ranges	**Weighted Average Remaining Service Life**	**Service Life Ranges**	**Weighted Average Remaining Service Life**
Computer software	5-10	4.0	5-10	3.2
Land rights	60	47.3	60	46.4
Indirect capitalized overhead	5-10	4.0	5-10	3.2

8. OTHER ASSETS

	2024	**2023**
Income tax receivable	$ 2	$ 2
Cloud service implementation costs	2	1
	$ 4	$ 3

9. GOODWILL

	2024	**2023**
Balance, beginning of year	$ 228	$ 228
Electric Distribution System Transfer (note 22)	3	—
Balance, end of year	$ 231	$ 228

10. ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

	2024	**2023**
Trade accounts payable (1)	$ 136	$ 207
Customer deposits	56	48
Employee compensation and benefits payable	30	25
Interest payable	25	25
Contract liability (note 13)	7	6
Other	1	1
	$ 255	$ 312

(1) *Includes amounts due to related parties.*

11. OTHER LIABILITIES

	2024	**2023**
Contract liability (note 13)	$ 19	$ 27
OPEB plan liability (note 17)	11	11
Deferred lease revenue (1)	2	2
Defined benefit pension plans liability (note 17)	4	3
Other (2)	10	7
	$ 46	$ 50

(1) *Deferred lease revenue is the upfront lease payments received from a third party pursuant to a 20-year lease agreement that permits the third party to use a portion of one of the Corporation's facilities. The deferred lease revenue is being recognized as other revenue on a straight-line basis over the term of the lease.*

(2) *Other includes performance and restricted share unit obligations and deferred revenue for operating and maintenance charges.*

(All amounts in millions of Canadian dollars, unless otherwise noted)

12. DEBT

	Coupon Rate (%)	Maturity Date (Year)	2024 Effective Rate (%)	2024	2023
Senior unsecured debentures					
Series 04-2	6.22	2034	6.31	$ 200	$ 200
Series 06-1	5.40	2036	5.48	100	100
Series 07-1	4.99	2047	5.04	110	110
Series 08-1	5.85	2038	5.94	99	99
Series 09-1	7.06	2039	7.15	100	100
Series 09-2	5.37	2039	5.42	125	125
Series 10-1	4.80	2050	4.85	125	125
Series 11-1	4.54	2041	4.59	125	125
Series 12-1	3.98	2052	4.02	125	125
Series 13-1	4.85	2043	4.90	150	150
Series 14-1	4.11	2044	4.15	125	125
Series 14-2	3.30	2024	3.37	—	150
Series 15-1	4.27	2045	4.32	150	150
Series 16-1	3.34	2046	3.39	150	150
Series 17-1	3.67	2047	3.71	200	200
Series 18-1	3.73	2048	3.78	150	150
Series 20-1	2.63	2051	2.67	175	175
Series 22-1	4.62	2052	4.65	125	125
Series 23-1	4.86	2053	4.91	200	200
Series 24-1	4.90	2054	4.94	300	—
Drawings under the credit facility	Variable	2029		115	95
Outstanding cash settlements	N/A	N/A		5	—
Total debt				$ 2,954	$ 2,779
Current portion of long-term debt				—	(150)
Short-term borrowings				(120)	(95)
Debt issuance costs				(19)	(17)
Long-term debt				$ 2,815	$ 2,517

Under the Terms and Conditions of the Trust Indenture, the Corporation has the option to call the outstanding debentures in whole, or in part, for early redemption for the principal amount redeemed plus a redemption premium, if applicable. The debentures have semi-annual interest payments.

On May 27, 2024, the Corporation issued $300 million of senior unsecured debentures, by private placement, at a rate of 4.897%, to be paid semi-annually, and mature in 2054. The net proceeds of the issuance were used for general corporate purposes, to finance the Corporation's capital expenditures and to repay the Series 14-2 unsecured debentures of $150 million, which matured on September 30, 2024.

As at December 31, 2024, the Corporation had an unsecured committed credit facility with an available amount of $250 million that matures in August 2029. Borrowings on the committed credit facility are available by way of prime loans, Canadian Overnight Repo Rate Average loans and letters of credit. Letters of credit are provided by the lender of the Corporation's unsecured committed credit facility, with a one year expiry date. The weighted average effective interest rate for the year ended December 31, 2024, on the committed credit facility was 6.0% (2023 - 6.3%).

(All amounts in millions of Canadian dollars, unless otherwise noted)

Credit Facilities

		2024		2023
Total credit facility	$	250	$	250
Credit Facility utilized				
Draws on credit facility		(115)		(95)
Letters of credit outstanding		(2)		(2)
Credit facility unutilized	$	133	$	153

The Corporation has externally imposed capital requirements by virtue of its Trust Indenture and committed credit facility such that consolidated debt cannot exceed 75% of the Corporation's consolidated capitalization ratio, which is based on the Corporation's total capital structure. As at December 31, 2024, the Corporation was in compliance with these externally imposed capital requirements.

See note 20 Commitments and Contingencies for required principal and interest payment for debt over the next five years and thereafter.

13. REVENUE

		2024		2023
Electric rate revenue	$	854	$	774
Alternative revenue		10		10
Other revenue		37		30
Total Revenues	$	901	$	814

Electric Rate Revenue
The Corporation's business is the ownership and operation of electric facilities that distribute electricity generated by other market participants from high-voltage transmission substations to end-use customers. The Corporation does not own or operate generation or transmission assets and is not involved in the direct sale of electricity. Electric rate revenue includes franchise fee revenues which are fully offset in the Corporation's cost of sales.

Alternative Revenue
Alternative revenue reflects those portions of the Corporation's revenue associated with regulatory mechanisms within the PBR framework that provide revenue that is incremental to base rates and will impact future rates in response to past activities or completed events, if certain criteria are met. The Corporation has identified the ECM as alternative revenue. Once billed, alternative revenue will be reported in electric rate revenue and the associated regulatory asset or liability will be adjusted.

Other Revenue

		2024		2023
Third party services	$	15	$	11
REA services		4		4
Miscellaneous revenue		4		3
Joint use revenue		7		4
Customer rights agreement revenue		7		7
Related party revenue (note 18)		—		1
	$	37	$	30

(All amounts in millions of Canadian dollars, unless otherwise noted)

Customer Rights Agreement Revenue and Contract Liability

In December 2020, the Corporation received an upfront payment of $52 million from EPCOR pursuant to the terms of the Customer Rights Agreement, which was recorded as a contract liability. This amount will be recognized into other revenue throughout the duration of the agreement. During the year ended December 31, 2024, the contract liability was reduced by $7 million, which was recognized in other revenue.

	2024	2023
Current contract liability (note 10)	$ 7	$ 6
Long-term contract liability (note 11)	19	27
Total contract liability	$ 26	$ 33

14. INTEREST EXPENSE

	2024	2023
Interest - long-term debt	$ 129	$ 117
Interest - short-term debt	4	5
Interest - other	7	6
Less: debt component of AFUDC	(5)	(3)
	$ 135	$ 125

In 2024, interest expense on long-term debt included $1 million related to amortization of debt issuance costs (2023 - $1 million).

15. SHARE CAPITAL

Authorized - unlimited number of:

- Common shares;
- Class A common shares; and
- First preferred non-voting shares, redeemable, cumulative dividend at 10% of the redemption price.

Issued:

- 63 Class A common shares, with no par value.

In 2024, the Corporation declared and paid dividends totaling $115 million (2023 - $105 million) to Fortis Alberta Holdings Inc., the Corporation's parent and an indirectly wholly owned subsidiary of Fortis.

The Corporation must comply with the *Alberta Business Corporations Act* (the *"ABCA"*) legislation and the terms and conditions of the committed credit facility and Trust Indenture to declare and pay dividends. In order to be compliant, the Corporation must be solvent as defined by the *ABCA* and cannot be in default of the committed credit facility or Trust Indenture as defined by their respective agreements. As at December 31, 2024, the Corporation was in full compliance with the solvency requirements of the *ABCA* and the terms and conditions set out in the committed credit facility and Trust Indenture agreements and was not subject to dividend declaration or payment restrictions.

16. ADDITIONAL PAID-IN CAPITAL

Additional paid-in capital relates to the push down of the excess purchase price over the carrying value paid by the Corporation's parent on acquisition of the Corporation and equity contributions from Fortis Alberta Holdings Inc. for which no additional shares were issued. In 2024, the Corporation received $40 million in equity contributions from Fortis Alberta Holdings Inc. (2023 - $nil).

(All amounts in millions of Canadian dollars, unless otherwise noted)

17. PENSION AND OTHER POST-EMPLOYMENT BENEFITS

Description

The Corporation sponsors a pension plan with defined contribution and defined benefit components. The defined contribution component is applicable to the majority of the Corporation's employees and is available to all new employees. The defined benefit component includes a funded defined benefit plan that is applicable to certain long-service employees and is closed to new employees, and an unfunded supplemental employee retirement plan that is applicable to certain current and new employees. The defined contribution component is based on a percentage of pensionable earnings, which includes base pay and eligible bonuses, while the defined benefit component is based on final average pensionable earnings. The Corporation also provides an unfunded OPEB plan that includes certain health and dental coverage for retired employees.

The most recent actuarial valuation of the defined benefit pension plan for funding purposes was completed as at December 31, 2022. The next actuarial valuation for funding purposes is required to be completed as at a date no later than December 31, 2025.

Plan Asset Information

The Corporation's objectives are to minimize the volatility of the value of plan assets relative to the pension plan liabilities and to ensure that the assets are sufficient to pay plan benefits. The Corporation's target asset allocations are 100% debt instruments. This allocation has been made to ensure the objectives are met, while minimizing risk.
As at December 31, the fair value of plan assets were as follows:

	2024	2023
Government bonds	$ 26	$ 27
Corporate bonds	8	8
Total (1)	$ 34	$ 35

(1) *The fair value of the plan assets was estimated using level 2 inputs based on third party quoted values. See (note 21) for fair value hierarchy.*

Reconciliation of Funded Status

	Defined Benefit Pension Plans		OPEB Plan	
	2024	2023	2024	2023
Change in benefit obligation (1)				
Balance, beginning of year	$ 38	$ 37	$ 12	$ 10
Current service cost	1	1	1	1
Interest cost	1	1	—	1
Benefits paid	(2)	(2)	(1)	(1)
Actuarial loss	—	1	—	1
Balance, end of year (2)	$ 38	$ 38	$ 12	$ 12
Change in fair value of plan assets				
Balance, beginning of year	$ 35	$ 33	$ —	$ —
Employer contributions	1	1	1	1
Benefits paid	(2)	(2)	(1)	(1)
Actual return on plan assets	—	3	—	—
Balance, end of year	$ 34	$ 35	$ —	$ —
Unfunded status	$ (4)	$ (3)	$ (12)	$ (12)

(1) *Amounts reflect projected benefit obligation for defined benefit pension plans and accumulated benefit obligation for the OPEB plan.*
(2) *The accumulated benefit obligation for defined benefit pension plans, excluding assumptions regarding future salary levels, was $38 million as at December 31, 2024 (December 31, 2023 - $38 million).*

(All amounts in millions of Canadian dollars, unless otherwise noted)

Amounts Recognized on the Balance Sheet

	Defined Benefit Pension Plans		OPEB Plan	
	2024	2023	2024	2023
Accounts payable and other current liabilities	$ —	$ —	$ 1	$ 1
Other liabilities (note 11)	4	3	11	11
Net liabilities	$ 4	$ 3	$ 12	$ 12

Expected Benefits Payments

The following table provides the estimated benefits to be paid over the next ten years:

Year	Defined Benefit Pension Benefits	OPEB Benefits
2025	$ 3	$ 1
2026	3	1
2027	3	1
2028	3	1
2029	3	1
2030 - 2034	13	4

Pension Plan Contributions

The Corporation made total contributions to the defined benefit pension plan of $0.6 million for the year ended December 31, 2024. Minimum funding contributions of approximately $0.5 million will be made to the defined benefit pension plan.

Components of Net Periodic Costs

	Defined Benefit Pension Plans		OPEB Plan	
	2024	2023	2024	2023
Service cost	$ —	$ —	$ 1	$ 1
Interest cost	2	2	1	1
Expected return on plan assets	(1)	(1)	—	—
Amortizations:				
Past service cost	—	—	—	1
Actuarial gain	—	—	—	(1)
Net benefit cost recognized	1	1	2	2
Regulatory adjustment	(1)	(1)	—	—
Net benefit cost recognized in financial statements	$ —	$ —	$ 2	$ 2

Accumulated Other Comprehensive Income

The following table provides the components of accumulated other comprehensive income that have not been recognized as components of net benefit cost.

	Defined Benefit Pension Plans		OPEB Plan	
	2024	2023	2024	2023
Actuarial (loss) gain	$ (3)	$ (2)	$ 8	$ 8
Past service cost	—	—	(4)	(4)
Accumulated other comprehensive (loss) income	(3)	(2)	4	4
Regulatory adjustment	3	2	—	—
Accumulated other comprehensive income	$ —	$ —	$ 4	$ 4

(All amounts in millions of Canadian dollars, unless otherwise noted)

Other Comprehensive Income
The following table provides the components recognized in other comprehensive income.

	Defined Benefit Pension Plans		OPEB Plan	
	2024	2023	2024	2023
Net actuarial (loss) gain arising during the year	$ (1)	$ 1	$ —	$ (1)
New prior service cost	—	—	—	—
Amortizations:				
Past service cost	—	—	—	1
Other comprehensive income (loss)	(1)	1	—	—
Regulatory adjustment	1	(1)	—	—
Total other comprehensive income	$ —	$ —	$ —	$ —

Weighted Average Assumptions

	Defined Benefit Pension Plans		OPEB Plan	
	2024	2023	2024	2023
Discount rate during the year	4.60 %	5.10 %	4.60 %	5.10 %
Discount rate as at December 31	4.60 %	4.60 %	4.65 %	4.60 %
Expected long-term rate of return on plan assets(1)	4.30 %	3.90 %	—	—
Rate of compensation increase	3.00 %	2.50 %	—	—
Initial weighted average health care trend rate during the year	—	—	5.63 %	5.59 %
Initial weighted average health care trend rate as at December 31	—	—	5.40 %	5.63 %
Ultimate weighted average health care trend rate	—	—	4.00 %	4.00 %
Year ultimate rate reached	—	—	2040	2040

(1) *This assumption considers inflation, bond yields, and historical returns.*

(All amounts in millions of Canadian dollars, unless otherwise noted)

18. RELATED PARTY TRANSACTIONS

In the normal course of business, the Corporation transacts with related parties, including Fortis and other subsidiaries of Fortis. Amounts due from or to related parties were measured at the exchange amount and were as follows:

	2024	2023
Accounts payable and other current liabilities		
Related parties [1]	$ 2	$ 3

[1] *This reflects charges from related parties associated with the provision of information technology services and other general operating expenses.*

The Corporation invoices related parties on terms and conditions consistent with invoices issued to all other third parties, which require amounts to be paid on a net 30 days basis with interest on overdue amounts. Terms and conditions on amounts invoiced to the Corporation by related parties are net 30 days with interest being charged on any overdue amounts.

Related party transactions included in other revenue and cost of sales were measured at the exchange amount and were as follows:

	2024	2023
Included in other revenue (note 13) [1]	$ —	$ 1
Included in cost of sales [2]	6	5

[1] *Includes services provided to related parties for material sales and intercompany employee services.*
[2] *Includes charges from related parties for corporate governance and other general operating expenses.*

During the year, the Corporation paid $1 million to a related party for information technology services that were recognized as an intangible asset.

All services provided to or received from related parties are billed on a cost-recovery basis.

19. INCOME TAX

Deferred income tax arises because of temporary differences between the income tax basis of assets and liabilities and their carrying amount for financial statement purposes. Deferred income tax assets and liabilities were comprised of:

	2024	2023
Deferred income tax liability (assets)		
Net regulatory assets and liabilities	$ (3)	$ (6)
OPEB	(4)	(3)
Intangible assets	35	32
Property, plant and equipment	451	429
Debt issuance costs	5	4
Income tax credits	(2)	(2)
Other	(2)	(1)
Net deferred income tax liability	$ 480	$ 453

Components of the income tax expense were as follows:

	2024	2023
Current income tax expense	$ 24	$ 12
Deferred income tax expense before adjustment	27	36
Regulatory adjustment for the recovery of deferred income tax in future customer rates	(25)	(36)
Total income tax expense	$ 26	$ 12

(All amounts in millions of Canadian dollars, unless otherwise noted)

Income tax expense differs from the amount that would be expected if determined by applying the enacted Canadian federal and provincial statutory income tax rates to income before income tax. The following is a reconciliation of the combined statutory income tax rate to the Corporation's effective income tax rate.

	2024	2023
Income before income tax per financial statements	$ 207	$ 173
Statutory income tax rate	23.0%	23.0%
Income tax, at statutory income tax rate	$ 48	$ 40
Difference between capital cost allowance and amounts claimed for accounting purposes	(13)	(16)
Items capitalized for accounting purposes but expensed for income tax purposes	(8)	(8)
Difference between regulatory accounting items and amounts claimed for income tax purposes	—	(1)
Other	(1)	(3)
Income tax expense	$ 26	$ 12
Effective income tax rate	12.6%	6.9%

As at December 31, 2024, the Corporation's federal and provincial non-capital loss carry forwards respectively were $nil (December 31, 2023 - $nil).

As at December 31, 2024, total investment tax credits receivable related to the employment of eligible apprentices and acquisition of eligible assets were $2 million (December 31, 2023 - $2 million), as shown in note 8. These credits are subject to carry forward and expire between 2026 and 2044 .

Taxation years 2015 and prior are no longer subject to examination in Canada. The Corporation is currently undergoing a corporate income tax audit of its 2020 tax year by the CRA. The 2016, 2017, 2018 and 2019 audits are generally finished, notwithstanding a limited number of pending tax matters. Tax matters in dispute for audited years are ongoing and in various stages of completion as the Corporation continues to work through these matters with the CRA. An examination of the open income tax years by the CRA could result in a change in the liability for unrecognized income tax benefits. The Corporation does not have any unrecognized income tax benefits as at December 31, 2024 and, as such, has not accrued any associated interest or penalties.

20. COMMITMENTS AND CONTINGENCIES

As at December 31, 2024, the Corporation's commitments in each of the next five years and thereafter are as follows:

	Total	2025	2026	2027	2028	2029	> 2029
Principal payments on debt [1]	$ 2,950	$ 115	$ —	$ —	$ —	$ —	$ 2,835
Interest payments on debt	2,764	131	131	131	131	131	2,109
Other commitments	51	5	5	5	2	2	32
Total	$ 5,765	$ 251	$ 136	$ 136	$ 133	$ 133	$ 4,976

(1) *Payments are shown exclusive of discounts*

Other Commitments

The Corporation and an Alberta transmission service provider have an agreement in consideration for joint attachments of distribution facilities to the transmission system. The agreement remains in effect, in perpetuity, until the Corporation no longer has attachments to the transmission system. Due to the unlimited duration of this contract, the calculation of future payments after 2029 includes payments to the end of 20 years. However, the payments under this agreement may continue for an indeterminable period. In addition, the Corporation and an Alberta transmission service provider have entered into a number of service agreements to ensure operational efficiencies are maintained through coordinated operations. These service agreements have minimum expiry terms of five years from September 1, 2020 and are subject to extension based on mutually agreeable terms.

As a regulated electric distribution utility, the Corporation is obligated to provide service to customers within its service territory. In doing so, the Corporation may, at times, be required to incur operating and capital expenditures more than that currently funded by customer rates. These amounts may subsequently be presented to the AUC for recovery from customers.

(All amounts in millions of Canadian dollars, unless otherwise noted)

Contingencies

The Corporation is subject to various legal proceedings and claims that arise in the ordinary course of business operations. It is management's judgment that the amount of liability, if any, from these actions would not have a material effect on the Corporation's financial statements.

21. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement is required to reflect the assumptions that market participants would use in pricing a financial asset or financial liability based on the best available information. These assumptions include the risks inherent in a particular valuation technique, such as a pricing model, and the risks inherent in the inputs to the model. A fair value hierarchy exists that prioritizes the inputs used to measure fair value. The three levels of the fair value hierarchy are defined as follows:

Level 1: Fair value determined using unadjusted quoted prices in active markets;
Level 2: Fair value determined using pricing inputs that are observable; and
Level 3: Fair value determined using unobservable inputs only when relevant observable inputs are not available.

The fair value of the Corporation's financial instruments reflects a point-in-time estimate based on current and relevant market information about the instruments as at the balance sheet dates. The estimates cannot be determined with precision as they involve uncertainties and matters of judgment; therefore, they may not be relevant in predicting the Corporation's future earnings or cash flows.

The following table represents the fair value measurements of the Corporation's financial instruments:

Senior Unsecured Debentures as at:	December 31, 2024	December 31, 2023
Fair value (1)	$ 2,816	$ 2,667
Carrying value (2)	2,834	2,684

(1) *The fair value of the senior unsecured debentures was estimated using level 2 inputs and calculated using indicative prices provided by a third party for the same or similarly rated issues of debt with similar maturities.*

(2) *Carrying value is presented gross of debt issuance costs.*

The carrying value of financial instruments included in current assets, long-term other assets, current liabilities, and long-term other liabilities on the balance sheet approximate their fair value, which reflects the short-term maturity, normal trade credit terms, and/or nature of these financial instruments.

Credit Risk

Counterparty credit risk is the financial risk associated with the non-performance of obligations by contractual counterparties. The Corporation extends credit to retailers in the normal course of business and has a concentrated counterparty credit risk because its own distribution service billings are collected by a small number of these entities.

The Corporation assesses its retailer credit exposure and expected credit losses using historical information, forms of prudential, and current economic conditions. In accordance with the Corporation's Terms and Conditions, the Corporation is required to minimize its credit exposure to retailer billings by obtaining an acceptable form of prudential, which includes a cash deposit, letter of credit, an investment grade credit rating from a major rating agency, or a financial guarantee from an entity with an investment grade credit rating. An acceptable form of prudential reduces the credit risk exposure of retailer billings. As at December 31, 2024, the Corporation's retailer credit risk exposure was $nil (December 31, 2023 - $1 million). Expected credit losses with other counterparties are evaluated using current and forecasted economic conditions and internal counterparty-specific risk assessments.

(All amounts in millions of Canadian dollars, unless otherwise noted)

22. ELECTRIC DISTRIBUTION SYSTEM TRANSFER

	December 31, 2024
Purchase Consideration	$ 11
Total Assets:	
Property, plant and equipment	7
Intangible assets	1
Total Assets	$ 8
Goodwill	$ 3

In the fourth quarter of 2023, the Tomahawk Rural Electrification Association Ltd. (“TREA”) membership approved the sale and transfer of the TREA electric distribution system to the Corporation for $11 million. On August 8, 2024, the Corporation paid $11 million to TREA in consideration of the distribution system transfer. The amount to be included in the Corporation's rate base is still subject to a prudence review by the AUC, which is expected to be concluded in the first half of 2025.

23. SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for

	2024	2023
Interest	$ 137	$ 122
Income tax paid	22	12

Non-Cash Operating Working Capital

	2024	2023
Accounts receivable	$ 6	$ (10)
Prepaids and deposits	(4)	(8)
Income tax payable	2	—
Regulatory assets	(9)	24
Accounts payable and other current liabilities	(88)	32
Regulatory liabilities	(64)	76
	$ (157)	$ 114

Non-Cash Investing Activities

	2024	2023
Additions to property, plant and equipment and intangible assets included in current liabilities	$ 114	$ 83
Customer contributions for property, plant and equipment included in current assets	12	12