

# **Canadian Utilities Limited (CDUAF) Q4 2023 Earnings Call Transcript**

Seeking Alpha - Earnings Call Transcripts

February 29, 2024 Thursday

Copyright 2024 Seeking Alpha Provided by Syndigate Media Inc. All Rights Reserved

**Length:** 6228 words

**Byline:** SA Transcripts

**Body**

Canadian Utilities Limited (CDUAF)

Q4 2023 Results Conference Call

February 29, 2024 11:00 AM ET

Company Participants

Colin Jackson - Senior Vice President of Finance, Treasury, Risk and Sustainability

Brian Shkrobot - Executive Vice President and Chief Financial Officer

Robert Myles - ATCO EnPower's Chief Operating Officer

Wayne Stensby - ATCO Energy Systems' Chief Operating Officer

Conference Call Participants

Linda Ezergailis - TD Cowen

Mark Jarvi - CIBC Capital Markets

Maurice Choy - RBC Capital Markets

Patrick Kenny - National Bank Financial

Benjamin Pham - BMO Capital

Jessica Hoyle - Scotiabank

Presentation

Operator

Welcome to the Fourth Quarter 2023 Results Conference Call for Canadian Utilities Limited. As a reminder all participants are in listen-only mode and the conference is being recorded. After the presentation there will be an opportunity to ask questions. [Operator Instructions]

I would now like to turn the conference over to Mr. Colin Jackson, Senior Vice President of Risk and Sustainability Please go ahead, Mr. Jackson.

Colin Jackson

Thank you. Good morning, everyone. We are pleased you could join us for Canadian Utilities fourth quarter 2023 conference call. With me today is Canadian Utilities' Executive Vice President and Chief Financial Officer, Brian Shkrobot, as well as ATCO EnPower's Chief Operating Officer, Bob Myles and ATCO Energy Systems' Chief Operating Officer, Wayne Stensby.

Before we move into our formal agenda, I would like to take a moment to acknowledge the numerous traditional territories and home lands on which our global facilities are located. Today, we are speaking to you from our AccoPark head office in Calgary, which is located in the Treaty Seven region.

This is the ancestral territory of the Blackfoot Confederacy, comprised of the Siksika, Kainai, and Pikani Nations, the Tsuut'ina Nation and the Stoney-Nakoda Nation that include the Chiniki, Bearspaw and Goodstoney First Nations.

The city of Calgary is also home to the Métis Nation of Alberta Region 3. We honor and respect the diverse history, languages, ceremonies and culture of the indigenous people who call these areas home.

Brian will begin today with some opening comments on our financial results and recent company developments, Followed by update by Wayne and Bob on their respective business segments. Brian, Bob and Wayne will then take questions from the investment community.

Please note that a replay of the conference call, a short supplementary presentation and a transcript will be available on our website at canadianutilities.com and can be found in the Investors section under the heading, Events and Presentations.

I would like to remind you that our remarks today will include forward-looking statements that are subject to important risks and uncertainties. For more information on these risks and uncertainties, please see the reports filed by Canadian Utilities with the Canadian Securities regulators.

Subscribe to Seeking Alpha for more content like this

Finally, I would also like to point out that, during this presentation, we may refer to certain non-GAAP and other financial measures, such as total segments measures, adjusted earnings, adjusted earnings per share and capital investment. These measures do not have any standardized meaning under IFRS, and as a result, they may not be comparable to similar measures presented in other entities.

And now I will turn the call over to Brian for his opening remarks.

Brian Shkrobot

Thanks, Colin, and good morning, everyone. Thank you all very much for joining us today for our fourth quarter 2023 conference call. 2023 was a great year for Canadian Utilities Limited. We achieved adjusted earnings of $596 million or $2.21 per share for 2023.

This performance was in line with our expectations for 2023 given the rebasing occurring in our Alberta-based distribution utilities during the year and the receding inflation in our Australia natural gas distribution business.

Overall, our ATCO Energy Systems business continue to perform very well with our transmission utilities, providing stability and continued strong operating performance to help offset the pressures associated with rebasing at our distribution utilities.

On the electric distribution side, we saw rate base growth, efficiency carryover mechanism and operational efficiencies to help to partially offset this rebasing pressure in the period. Similarly, in our Alberta based natural gas business, rate based growth, operational efficiencies to partially offset these rebasing pressure in a period. Similarly in our Alberta based natural gas business rate base growth, operational efficiencies and efficiency carryover mechanism provided similar relief.

Moving to our natural gas distribution business in Australia, we continue to see strong growth in key operating metrics such as new connections, tariff rates and system volumes throughout the year.

Australia's in country inflation profile however continued to be the driving factor of the year-over-year earnings pressure experienced. As we discussed in our conference calls throughout 2023, 2022 saw inflation build rapidly, especially in the second half of the year, with full-year inflation reaching almost 8% by year end 2022.

As a result of this building profile, our 2022 earnings were exceptionally strong and created a comparable that was difficult to compete with in 2023 as inflation levels began to moderate. This trend resulted in us reporting a year-over-year decline of $20 million for this business in the year.

Looking ahead to 2024, in country estimates continue to suggest a further modernization inflation with estimates in the 3% to 3.2% range, and we do expect this to create further pressure on Australia earnings. We do not however expect the same degree of year-over-year volatility in 2024 comparables as full-year 2023 inflation for Australia declined to 4% by year end.

With Wayne joining us for the conference call today, this is likely a great point for me to pass the call over to him to speak a little bit more about the successes that we saw in ATCO Energy Systems business in 2023 and how we are seeing things shape up for 2024. Wayne.

Subscribe to Seeking Alpha for more content like this

Wayne Stensby

Thank you, Brian, and good morning to all and thank you for taking the time. As you alluded to in your opening comments, 2023 saw our business face some meaningful challenges and cyclinity.

Despite this, however, we delivered results that were in line with expectations and consistent with those that were previously communicated. While rebasing pressured earnings in the year, it highlights the degree to which we have been successful at unlocking efficiencies within the business and the benefits that we have been able to share with customers as a result.

Since starting our first PBR cycle in 2013 and considering the impacts of inflation, we have unlocked a 29% reduction in O&M cost per kilometer of electric distribution line and a 39% reduction in natural gas distribution cost per customer. Those are very meaningful for our customers here in Alberta.

This meaningful savings allows us to continue to be a safe, reliable and efficient systems operator, as we invest to meet the changing needs of our customers and that is at the core of our long-term strategy.

While I know that Brian and I have touched on this during previous conference calls, it is worth reiterating that, 2023 saw us receive prospective regulatory decisions for both our generic cost of capital or GCOC and our third PBR cycle which has now kicked off in 2024.

As expected, the GCOC decision included the adoption of a formulamatic approach to ROE and the increasing of our improved ROE from 8.5% to 9.28% for 2024. This is a meaningful increase and one that will help support to strong performance as we move forward.

While I won't dig into the details of the PBR3 decision in this call, it was largely in line with our expectations and we believe it provides a solid foundation for us to continue to deliver strong performance throughout the next PBR term.

Most importantly, and as highlighted by both of these decisions, we continue to see prospectivity from our regulators, a clear understanding and the need for fair and reasonable returns on critical utility investments and the importance of ensuring that the energy system remains reliable as society's energy needs continue to grow and evolve.

As we think about 2024 more broadly, we see a very strong economic backdrop in our core Alberta market. We are seeing exceptionally strong population growth, housing starts, industrial activity and broad economic expansion and all of these show that the province will see strong growth in the coming years.

Along with these core economic drivers, we continue to see a need and a growing need to invest in our systems to ensure the ongoing reliability and safety, as we adapt to climate change and to support the broader societal decarbonization objectives. Collectively, these factors support an expectation for rate base growth to increase in the coming years and we see plenty of opportunities for us to invest within our existing footprint.

Subscribe to Seeking Alpha for more content like this

In 2023, we invested $1.2 billion in our core utilities within ATCO Energy Systems. This ongoing utility investment ensures the continued generation of stable earnings and reliable cash flows from our utilities business and drives rate-based growth.

Given the strong trends that we are seeing in our core operating geographies, we expect to invest $4.1 billion to $4.8 billion in our regulated utilities over the next three years, and for this to drive an annual rate-based growth of somewhere between 3% and 4.4%.

In addition, we expect over the longer term to reach the 5% growth level. While the lower end of this range is believed to be readily achievable based on our current regulatory filings, our ability to demonstrate the need for prudent investment to our regulator through additional filings will be required in order to achieve the higher end of these ranges.

And with those comments, I will pass it back to you, Brian.

Brian Shkrobot

Thanks, Wayne, and great points. While 2023 was on one hand a transition year for the Alberta distribution utilities as they exited the second PBR cycle, it was also a key foundation building year as they enter their third PBR cycle, and we continue to look for opportunities to drive additional growth across the wider ATCO Energy Systems portfolio.

Moving on to our ATCO Empower business, we delivered adjusted earnings of 50 million in 2023 compared to 35 million in 2022. Supporting this year over year growth was our acquisition of the 40 mile and Adelaide wind assets in 2023, along with the energization of our Barlow, Deerfoot, and Empress solar assets in the year.

Beyond this earnings growth, 2023 also saw us deliver a number of achievements related to our overall strategy. To talks about some of the other achievements that ATCO power business achieved in the year and some of the strategic items that are front of mind heading into 2024, I will now turn the call over to Bob.

Robert Myles

Thank you, Brian. You are correct. 2023 was a big year for ATCO and power. As we continue to execute our strategy, we signed a number of key long term off-take agreements for our developments, including those with Microsoft and Lafarge. In Australia, we were selected as a preferred partner in the delivery of the South Australian Government's Hydrogen Jobs Plan.

A plan that will see us work as part of a consortium with BOC Linde to deliver a strategy and development program for the government's 250 megawatt hydrogen production facility, along with a 200 megawatt hydrogen fuel electricity generating facility and related to hydrogen storage

Back here in Canada, I would also specifically highlight the work we did with Chiniki and Goodstoney First Nations and the project financing we completed on 40 mile wind backed by our contracted sales volumes.

In 2023, we brought the Chiniki and Goodstoney First Nations into our Deerfoot and Barlow solar developments, making them 51% owners in the projects. Not only does this partnership support energy transition and our overall strategy related to renewable generation and indigenous engagement, it creates meaningful and long lasting economic returns for these communities.

Subscribe to Seeking Alpha for more content like this

And power focused our efforts over the last 18 months to contract our Canadian sales volumes into long-term virtual power purchase arrangements, which has culminated now with our 2024 Canadian sales volumes under virtual PPAs, totaling 71% of our overall platform. This approach provided the opportunity for NPower to complete a limited recourse project financing on 40 mile wind, totaling gross proceeds of $292 million.

Partnerships and collaboration contracting a significant portion of future generation through virtual PPAs and project level financing remain the cornerstone values of our business and areas that will only grow in importance as we continue to pursue our growth objectives for renewables and our ultimate goal of owning, developing, and managing more than a thousand megawatts of renewable generation by 2030.

On the hydrogen front, we remain committed to our development project within Alberta's industrial heartland and to meeting the growing demands for clean hydrogen in the economy more broadly; this involves the development of both a carbon sequestration hub with Shell and our Heartland Hydrogen Hub project.

Since our last discussion, our last update, we have continued to advance conversations with project partners and off takers, while also progressing the technical work necessary to support a feed decision in 2024 on our Hydrogen Hub project in the Heartland and an FID decision on our carbon sequestration project with Shell, as has always been the case, an executable business case for these projects will include strong commercial, financial, and off-take partners.

These partners are key to guaranteeing the projects long-term success to ensure the right partners are obtained. We are currently undergoing a live and competitive process to select these project partners and expect to have clarity on the outcomes of this process by midyear.

In terms of capital investment within a co-Npower, 2023 saw us invest $837 million into the business, an increase of $597 million from 2022. This increased investment reinforces our commitment to energy transition and was made up primarily of our renewable electricity asset acquisition that was completed at the beginning of the year.

This acquisition saw us acquire both the operating 40 mile and Adelaide wind assets along with a renewable generation development pipeline, also included in our capital investment were a number of projects that we have already talked about today, including our Barlow, Deerfoot, and Empress Solar Projects.

Looking to the future, our hydrogen initiatives and the successful execution of our renewable generating pipeline will all necessitate significant capital investment. We are currently evaluating yesterday's government of Alberta announcement on the renewable moratorium.

More details is definitely required, however, I'm not surprised with their position, but we can discuss that further in the Q&A session. In the near term, we expect capital recycling, partnering, and our existing sources of capital to provide the necessary funding support these growth efforts.

As we continue towards final investment decisions on key developments, including our hydrogen project in the Alberta Heartland, we will constantly evaluate our funding program to ensure that sufficient capital is available to support this growth.

Subscribe to Seeking Alpha for more content like this

We continue to believe that the demand for clean hydrogen and renewable electricity will only grow as industry and governments seek to reduce carbon intensity, while ensuring a stable and reliable supply of energy.

With that update, Brian, I will pass things back to you.

Brian Shkrobot

Thanks Bob. Great to hear about the growth that is happening within ATCO EnPower and the ways in which that supports not just earnings, but the numerous communities with whom we interact.

Overall, our 2023 results were in line with our expectations for the rebasing year. The earnings pressures we expected related to rebasing and the Australian inflation were evident in our results, but the overall impact was softened by the exceptional operating performance of all our segments and we end 2023 with a stable base on which to build for 2024.

Our ATCO Energy System business is seeing favorable growth trends on the horizon and is entering its third performance-based regulation cycle with regulatory prospectivity and a more favorable R&D and ROE environment.

Our ATCO EnPower business continues to execute on its renewable electricity development and laying the groundwork for key decisions on our ongoing clean fuels development. Overall, Canadian Utilities is in a great position heading into 2024 and I'm excited to watch the business grow moving forward.

As I conclude my prepared remarks, I want to thank everyone for their investment in the Canadian Utilities Limited and the support that you have provided our business throughout the years.

As many of you have seen, I recently announced that I will be retiring from Canadian Utilities Limited effective March 1st and that this will be my last conference call as your Chief Financial Officer.

It has been an honor to serve as a leader within various segments of your business for the last 24-years and to work with incredibly talented team that we have here. Canadian Utilities has exciting road ahead and I know that Katie Patrick and the rest of leadership team here will steward the business masterfully as the story progresses.

That concludes my prepared remarks. I will now turn the call back to Colin.

Colin Jackson

Thank you, Brian. On behalf of all of us at Canadian Utilities, I would like thank you for your contributions over the last 24-years. I know for me it is been a privilege to work with you and I'm going to miss you. [Operator Instructions] I will now turn it over to the conference coordinator for questions.

Question-and-Answer Session

Operator

Thank you. [Operator Instructions] The first question comes from Linda Ezergailis with TD Cowen. Please go ahead.

Subscribe to Seeking Alpha for more content like this

Linda Ezergailis

Thank you. Before I ask my question, Brian, I want to congratulate you on a very successful career and wish you all the best in your retirement.

Brian Shkrobot

Thanks, Linda.

Linda Ezergailis

I guess my first question is just the news of the day. In terms of the Alberta announcement yesterday, how might we think of your evolving appetite to invest in renewables, specifically with some of the unclear definition of what a pristine viewscape might be and how different stakeholders might define that differently? Can you just talk about how you see your presence in the province evolving and what you might do to mitigate that uncertainty?

Robert Myles

I totally agree. I thought she smiled when you mentioned the words about pristine, because when, in my remarks, when I commented around, we need more detail, that was one of the areas is what does that mean? The positive thing in my mind anyway, for our assets is many of our, the development pipeline, the assets that we acquired are in the eastern part of the province.

And I know in some of the conversations we have had with government, it was more focus around kind of the foothills and the pristine views of the mountains. Those are my views on what I think is going to happen. But I mean, again, the devil's in the detail.

I still believe that renewables are a key part of the growth in the province. Do I believe that renewables are going to solve electricity requirements when it gets to minus 30? No, I don't, but I do think they play a pretty important role through energy transition for ourselves and for the province.

Linda Ezergailis

Maybe as my follow-up question, just switching gears a bit in terms of how to achieve decarbonization and energy transition? The three year outlook on CapEx is going to probably be influenced heavily by what goes on in terms of natural gas demand in the Heartland Industrial area. When might we see Canadian utilities making incremental regulatory filings, and what is your expectation in terms of the actual potential incremental CapEx? When that might be spent? Would that be more in the outer years of your three year planning process, or can you just comment on how that might firm up?

Wayne K. Stensby

When we look over the next three and even five year horizon, we are seeing those ever increasing investment signals or demands fundamentally driven from a couple of areas. We are seeing a lot of what we would call organic growth across our utilities that is really driven, as I mentioned by inward population and housing starts.

I think though, and you kind of called it out, we shouldn't forget the large number of significant industrial developments and frankly, announcements in the heartland greater Edmondson area. And there will be more to come in 2024 as we advance our ability to deliver natural gas to those projects.

There is a regulatory decision underway that sort of flowed out of our pipelines, GRA, to support that. And I think you will see us later in the year making subsequent regulatory applications in order to address other climate adaptation opportunities or needs for our customers.

Operator

The next question comes from Mark Jarvi with CIBC Capital Markets.

Mark Jarvi

First happy retirement to you, Brian, well deserved. Just maybe on the range of the rate base growth that you provided, what kind of moves you to the upper end of the range and would the base case be at the midpoint right now?

Subscribe to Seeking Alpha for more content like this

Wayne K. Stensby

Thanks Mark. It is Wayne. No, I would say the base case is actually just the base case. We are confident that we can get there. The upper end of the range is going to require as we indicated in the documents is going to require support and applications from the regulator, but we are feeling pretty good about the base case.

Mark Jarvi

Just to follow-up on that, just with the GRA pending on the gas transmission side of things, how does that factor into what is, currently shown as a three year sort of growth on rate base, and then how much more of a supplemental application or what the process is to ramp that up to get to the top end of the growth range for the gas transmission business?

Wayne K. Stensby

On the GRA application, that is currently there and Brian will add to my comments, but we have reached a negotiated settlement on that application. There is however an ongoing piece of work around [c-wep] (Ph) or the ability to support some of our larger ongoing projects. We would expect the results of that kind of mid-year.

Brian Shkrobot

Yes, Wayne, and Mark, just to further add to Wayne's comments, we anticipated the incremental growth within our transmission business. We had included a place holder for deferral account, which would facilitate a more speedier process to address the expected capital increase scenario and also to put in mechanisms that would give us a kind of a cash return as we construct this potential large project. Those are some of the proactive things that we did, and as Wayne alluded to - we will follow that with needs applications and further as we go, but we wanted to ensure that we had kind of a key base foundation in our regulatory filings and we will progress from there.

Mark Jarvi

Last question, just to kind of clarify, when you talk about pushing to 4% to 5%, is that at the upper end of that range you provide in the MD&A, which is 4.4% or do you think there is potential in sort of a three to five year horizon to push above to 4.4% range? Closer to 5%?

Brian Shkrobot

Yes, I'm forming my views Mark on really that strong underpinning economic growth in the province and what we see as requirements and needs for climate adaptation. We published the numbers we published and we are going to stand by those numbers, but honestly, as I think about the next five, six, seven years in Alberta.

It is a very positive environment and it is up to us as the utility, we are a fundamental driver of a lot of that growth and supporter of a lot of that growth. And so, rest assured that our teams are committed to supporting all of our customers through that next five and beyond your horizon.

Mark Jarvi

Maybe just one quick follow-up, with customers affordability, just as you went through the negotiated settlement, particularly in the GRA and maybe just the outreach, how are you seeing acceptance around that incremental needed investment in the ability to get that I guess buy-in from customers for that incremental investment to drive the rate-based growth higher?

Brian Shkrobot

Yes, for sure. You would have heard in the prepared remarks frankly the phenomenal job that our teams have been able to do in terms of cost savings, historically. I don't want to downplay the need for us to keep one eye on operating efficiencies and continuing to drive O&M costs down. I think that is the path for us in terms of affordability.

The flip side of that of course is, we continue to see strong customer feedback and demand for increased supply and increased reliability. I personally believe over the next decade, we are going to continue to see an ever-increasing desire by customers for an ever increasing level of reliability. That is how we are thinking about our investments moving forward.

Subscribe to Seeking Alpha for more content like this

Operator

The next question comes from Maurice Choy with RBC Capital Markets. Please go ahead.

Maurice Choy

Good morning. Wayne, if I could just pick up on the previous question a little bit to clarify. Are you saying that you are expecting to reach 4% to 5% in the next five to seven-years and that is all largely driven by economic and population growth?

Wayne Stensby

Yes. I think what we said is in the longer period beyond the three year view, we anticipate being able to see those ranges. We recognize that is five years out Maurice. I'm not suggesting that it is just based on customer growth.

I think, I go back to our pillars and our strategy is really around supporting our customers as they continue to evolve. We have a very strong line of sight to both industrial and commercial and residential growth today.

The longer term is our view of climate adaptation, investments in our utilities to support, decarbonization and those, just occurs to us that those trends are in some ways universal, but are certainly, well at play and well at hand here in Alberta.

Maurice Choy

Understood. Maybe just keeping on the same theme about growth here. Obviously, the CapEx is going to rise due to large numbers. Brian, could you speak to your equity needs to deliver this rate base growth? And up to you whether or not you want to speak to that in the context $2.5 billion renewables and almost $5 billion for hydrogen project or not?

Brian Shkrobot

Yes. Thanks, Maurice. And as you alluded to Elliot and Wayne outlined, we do see some considerable growth opportunities over the long-term and as we do that we will continue to access both the debt and equity markets and over time with that level of growth,

You will see us, likely to go to the equity markets and we have been communicating that through the past year and so no surprise on that front. On all sides of our business, we will continue to make sure that we optimize the sources of funding as we go.

Maurice Choy

And then just to clarify, and I think it was about I think, something that Bob mentioned in his prepared remarks that, to support the growth you are expecting to perform some capital recycling alongside partnerships and existing sources of capital, can you elaborate a little bit more about what these capital recycling potential option needs are?

Robert Myles

I would say two key areas where we reference recycling. One is in the area of renewables. We are looking at partnerships in the renewables area. So as we develop our projects, we would look to bring partners in. And so we call that kind of recycling from that perspective.

Subscribe to Seeking Alpha for more content like this

And then in the other area and our large hydrogen projects, we absolutely will be bringing in partners, strategic partners, primarily in that area as well. But we really want to develop the projects ourselves and then bring partners in at a later date. That is kind of the reference to the recycling.

Maurice Choy

Would you contemplate selling some of the renewables as you de-risk them over the course of the years?

Robert Myles

We would definitely consider that. It is definitely not our number one priority to just sell them, but we will consider that for sure.

Maurice Choy

And I will share my congratulations to Brian on your retirement tomorrow, and best of luck as well.

Operator

The next question comes from Patrick Kenny with National Bank Financial.

Patrick Kenny

Maybe just coming back to the Alberta government's announcement this week. So they indicated some changes still to come here on how electric transmission costs might be allocated or I guess recovered across the system?

Just wanted to get your thoughts on how these changes might impact your overall business risk profile? Say with the rating agencies, if, for example, a higher proportion of revenue comes from a more concentrated group of renewable power developers as opposed to your diversified pool of end use customers. And following on that, do you think these changes could call for a higher equity thickness down the road versus the relatively low 37% that is in place right now?

Brian Shkrobot

I guess to answer your question, no, we don't anticipate any - with the changes, any impact or a risk as a regulated utility to the regulatory compact allows us to recover our prudently incurred costs and provides that opportunity. So, although the mix of who pays for electro transmission may change, we don't anticipate any of that impact on our business. We will continue to push for higher equity thickness.

I think we have did that in the last UCOC and some work continue to be done there as we try to again, get our equity thickness probably more in line with kind of North American peers. But to answer your question, simply no, we don't anticipate any impacts on our credit metrics or risk on the electric transmission opportunities.

Patrick Kenny

And then maybe just a follow-up on your comments around the strong population growth in the province. Just wondering if you are starting to see any relief from a workforce availability perspective or if labor shortages are still a concern as you look to execute on your growth plans here in Alberta over the coming years?

Brian Shkrobot

I can address that. I think one goes hand in hand with the other. If you are thinking about it the right way, people are coming to Alberta for career opportunities, for jobs, to participate in the economy and as a result they bring skills and expertise that then helps Alberta grow and execute.

Subscribe to Seeking Alpha for more content like this

So I think it all kind of leads a little bit hand in glove. There is a very large pipeline of very large projects that are either have been announced or we would all expect will be announced over the coming months and years. And so, yes, I think there will no doubt be some challenges around, trades and some of those activities.

We have a longstanding strategy of investing in our people and investing in our teams and a focus on development of workforce. And we will continue to do that throughout Alberta. And these are all features of a growth economy and we are very proud and pleased to be part of it.

Operator

The next question comes from Ben Pham with BMO.

Benjamin Pham

On the potential sanctioning of the Heartland hydrogen CCS project, how does that influence if any of your CapEx numbers or rate base growth figures that you have highlighted with the report?

Brian Shkrobot

Yes, thanks Ben. The rate base numbers that Wayne went through, it wouldn't be impacted particularly for that hydrogen project that Bobs and Bob's business.

Robert Myles

Yes, Ben. Maybe just to add is the project that I was referencing was, is on the non-utility side, so it would be totally separate to Wayne's rate base numbers, as Brian said.

Benjamin Pham

And even the H2 pipe would be non-regulated.

Robert Myles

As of right now, the H2 pipeline that is part of our Hydrogen Hard Land hub project would be separate as well as of right now.

Benjamin Pham

Okay. And maybe this one's a little bit, I mean it is a similar question. I was also thinking about more of the indirect impact to the rate based figures, just the heartland activity and moving forward a project. Have you in a sense indirectly flowed through the impact of this project into the reg side? Like is there, I guess, would there be an impact there?

Wayne K. Stensby

It is Wayne. The rate based growth numbers are that we published on the basis of approved projects that are in the Heartland area, amongst others across the province. Soto the degree there is incremental announcements in years to come of additional, large users in the Heartland area, then that would be one of the ways that those numbers move up.

Benjamin Pham

Okay. And then maybe my follow-up question then. I'm just looking at how you have broke up the rate base CAGRs by utility. I know as your transmission side, there is an all up, I shouldn't say an all up, that the growth rate's the lowest of the group. Shouldn't that go up at all just with auto renewables, stuff that is happening in the province or will happen or is it just really how where your transmission is located?

Robert Myles

I might take your eye back to the size of the transmission rate base to begin with. It is kind of quite a bit or far and beyond the size of the rate basis across the rest of our portfolio. Even though it is seeing capital investment, obviously, dollar-for-dollar requires quite a bit more in order to generate similar percentage growth rates. There are some investments in the electric transmission business to support renewables.

Subscribe to Seeking Alpha for more content like this

I frankly see more in the future as we think about we serve, you kind of pointed out, but we serve the more northern parts of Alberta, the oil and gas sector. If you think about those corners of the province, growth in that electric transmission business I think is going to be more aligned with climate adaptation and reliability enhancements.

Operator

The next question comes from Jessica Hoyle with Scotiabank. Please go ahead. Great.

Jessica Hoyle

Thanks so much for taking my question. Just to start on the renewable side. Just looking at your renewable development pipeline in your latest slide deck. How are you thinking about progressing the pipeline in the near-term? I guess just what is required to move some of these projects to a positive FID?

Robert Myles

Thanks, Jessica. Bob here. In our pipeline that we acquired, we are already advancing one of those projects. The project we have been advancing was not impacted directly by the moratorium, the renewables moratorium with the government. It had already been approved.

The other projects that are in the pipeline were obviously not approved. We were advancing those maybe a little bit more slowly, if I could put it that way. Right now, we are spending our time trying to understand where the government is before we really start deciding, which is the next project that we advance.

Jessica Hoyle

Thanks for that. And just moving over to the utilities, what initial expectations do you have for performance in 2024 under PBR3? And what kind of further efficiencies can be realized?

Brian Shkrobot

I mean, as you would know and have seen Jessica, the parameters for PBR3 were adjusted a little bit, I guess, in terms of where the earnings sharing begins and some of those other elements. I think you could look at our track record and understand that we are pretty focused on finding and continuing to find efficiencies in the business.

And as we look out over the next five-years, we get those efficiencies through technology, through other capital investments that then support operating efficiencies. And I can assure you the teams are busy with an eye towards that and that is our view of how we support customer affordability.

So it is a five year cycle and we are in the first year and we are continuing to put plans in place to seek a level of outperformance. I don't want to miss the opportunity though to illustrate that we are really focused on growth in the next few years. And so I believe we can achieve both. But you will see both come out of our businesses.

Operator

This concludes the question-and-answer session. I would like to turn the conference back over to Mr. Colin Jackson for any closing remarks.

Subscribe to Seeking Alpha for more content like this

Colin Jackson

Thank you all for participating today. We appreciate your interest in Canadian Utilities and we look forward to speaking with you again soon.

Operator

This concludes today's conference call. You may disconnect your lines. Thank you for participating, and have a pleasant day.

**Load-Date:** February 29, 2024

**End of Document**