

Condensed Consolidated Interim Financial Statements of

**EPCOR UTILITIES INC.**

Six months ended June 30, 2015 and 2014

**EPCOR UTILITIES INC.**

Condensed Consolidated Interim Financial Statements

Six months ended June 30, 2015 and 2014

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# EPCOR UTILITIES INC.

Condensed Consolidated Interim Statements of Profit and Loss  
(Unaudited, in millions of Canadian dollars)

Three and six months ended June 30, 2015 and 2014

	Three months ended		Six months ended	
	June 30,		June 30,	
	2015	2014	2015	2014
<b>Revenues and other income:</b>				
Revenues	\$ 489	\$ 435	\$ 962	\$ 899
Other income	6	6	11	12
	495	441	973	911
<b>Expenses:</b>				
Electricity purchases and system access fees	162	175	354	409
Other raw materials and operating charges	61	38	108	65
Staff costs and employee benefits expenses	75	70	146	141
Depreciation and amortization	43	37	83	74
Franchise fees and property taxes	24	23	48	46
Other administrative expenses	11	12	27	27
	376	355	766	762
Operating income	119	86	207	149
Finance expenses	(25)	(29)	(58)	(57)
Equity share of income of Capital Power (note 6)	-	3	12	12
Dividend income from available-for-sale investment in Capital Power	3	-	3	-
Gain on sale of a portion of investment in Capital Power (note 6)	21	-	21	-
Gain on reclassification of investment in Capital Power as available-for-sale investment (note 6)	32	-	32	-
Income before income taxes	150	60	217	104
Income tax expense	(11)	(5)	(9)	(11)
Net income for the periods				
– all attributable to the Owner of the Company	139	55	208	93

The accompanying notes are an integral part of these condensed consolidated interim financial statements

# EPCOR UTILITIES INC.

Condensed Consolidated Interim Statements of Comprehensive Income  
(Unaudited, in millions of Canadian dollars)

Three and six months ended June 30, 2015 and 2014

	Three months ended		Six months ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Net income for the period	\$ 139	\$ 55	\$ 208	\$ 93
Other comprehensive income (loss):				
Items that may subsequently be reclassified to net income:				
Equity share of other comprehensive income (loss) of Capital Power <sup>1</sup> (note 6)	-	(4)	7	(4)
Amounts realized in net income on sale of a portion of investment in Capital Power <sup>2</sup> (note 6)	(7)	-	(7)	-
Amounts realized in net income on reclassification of investment in Capital Power as available-for-sale <sup>3</sup> (note 6)	(7)	-	(7)	-
Fair value loss on available-for-sale investment in Capital Power <sup>4</sup> (note 6)	(18)	-	(18)	-
Unrealized gain (loss) on foreign currency Translation <sup>5</sup>	(5)	(10)	24	2
	(37)	(14)	(1)	(2)
Comprehensive income for the periods				
– all attributable to the Owner of the Company	\$ 102	\$ 41	\$ 207	\$ 91

<sup>1</sup> For the three and six months ended June 30, 2015, net of income tax expense of nil and \$2 million, respectively. For the three and six months ended June 30, 2014, net of income tax expense of nil.

<sup>2</sup> For the three and six months ended June 30, 2015, net of reclassification of income tax expense of \$2 million. For the three and six months ended June 30, 2014, net of income tax expense of nil.

<sup>3</sup> For the three and six months ended June 30, 2015, net of reclassification of income tax expense of \$2 million. For the three and six months ended June 30, 2014, net of income tax expense of nil.

<sup>4</sup> For the three and six months ended June 30, 2015, net of income tax recovery of \$7 million. For the three and six months ended June 30, 2014, net of income tax expense of nil.

<sup>5</sup> For the three and six months ended June 30, 2015 and 2014, net of income tax expense of nil.

# EPCOR UTILITIES INC.

Condensed Consolidated Interim Statements of Financial Position  
(Unaudited, in millions of Canadian dollars)

June 30, 2015 and December 31, 2014

	2015	2014
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 157	\$ 37
Trade and other receivables (note 4)	506	333
Inventories	13	14
	676	384
Non-current assets:		
Finance lease receivables (note 5)	91	118
Other financial assets	281	408
Deferred tax assets	70	69
Equity investment in Capital Power (note 6)	-	393
Available-for-sale investment in Capital Power (note 6)	202	-
Property, plant and equipment	4,301	4,112
Intangible assets and goodwill	270	254
	5,215	5,354
<b>TOTAL ASSETS</b>	<b>\$ 5,891</b>	<b>\$ 5,738</b>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Trade and other payables	\$ 316	\$ 248
Loans and borrowings	145	117
Deferred revenue	29	23
Provisions	16	38
Derivatives	2	3
Other liabilities	24	25
	532	454
Non-current liabilities:		
Loans and borrowings	1,848	1,963
Deferred revenue	883	847
Deferred tax liabilities	24	19
Provisions	108	97
Derivatives	8	6
Other liabilities	12	12
	2,883	2,944
Total liabilities	3,415	3,398
Equity attributable to the Owner of the Company:		
Share capital	24	24
Accumulated other comprehensive income	40	41
Retained earnings	2,412	2,275
Total equity	2,476	2,340
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 5,891</b>	<b>\$ 5,738</b>

The accompanying notes are an integral part of these condensed consolidated interim financial statements

# EPCOR UTILITIES INC.

Condensed Consolidated Interim Statements of Changes in Equity  
(Unaudited, in millions of Canadian dollars)

Six months ended June 30, 2015 and 2014

	Accumulated other comprehensive income (loss)							Equity attributable to the Owner of the Company
	Share capital	Cash flow hedges	Available-for-sale financial assets	Cumulative translation account	Employee benefits account	Investment in Capital Power	Retained earnings	
Equity at December 31, 2014	\$ 24	\$ (5)	\$ 1	\$ 44	\$ (11)	\$ 12	\$ 2,275	\$ 2,340
Net income for the period	-	-	-	-	-	-	208	208
Other comprehensive income (loss):								
Equity share of other comprehensive income of Capital Power	-	-	-	-	-	7	-	7
Amounts realized in net income on sale of a portion of investment in Capital Power	-	2	-	-	-	(9)	-	(7)
Amounts realized in net income on reclassification of investment in Capital Power as available-for-sale	-	3	-	-	-	(10)	-	(7)
Fair value gain (loss) on available-for-sale investment in Capital Power	-	-	(18)	-	-	-	-	(18)
Unrealized gain on foreign subsidiary	-	-	-	24	-	-	-	24
Total comprehensive income (loss)	-	5	(18)	24	-	(12)	208	207
Dividends	-	-	-	-	-	-	(71)	(71)
Equity at June 30, 2015	\$ 24	\$ -	\$ (17)	\$ 68	\$ (11)	\$ -	\$ 2,412	\$ 2,476

The accompanying notes are an integral part of these condensed consolidated interim financial statements

# EPCOR UTILITIES INC.

Condensed Consolidated Interim Statements of Changes in Equity  
(Unaudited, in millions of Canadian dollars)

Six months ended June 30, 2015 and 2014

	Accumulated other comprehensive income (loss)							Equity attributable to the Owner of the Company
	Share capital	Cash flow hedges	Available-for-sale financial assets	Cumulative translation account	Employee benefits account	Investment in Capital Power	Retained earnings	
Equity at December 31, 2013	\$ 24	\$ (5)	\$ 1	\$ 17	\$ (4)	\$ 4	\$ 2,225	\$ 2,262
Net income for the period	-	-	-	-	-	-	93	93
Other comprehensive income (loss):								
Equity share of other comprehensive loss of Capital Power	-	-	-	-	-	(4)	-	(4)
Unrealized gain on foreign subsidiary	-	-	-	2	-	-	-	2
Total comprehensive income (loss)	-	-	-	2	-	(4)	93	91
Dividends	-	-	-	-	-	-	(71)	(71)
Equity at June 30, 2014	\$ 24	\$ (5)	\$ 1	\$ 19	\$ (4)	\$ -	\$ 2,247	\$ 2,282

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# EPCOR UTILITIES INC.

Condensed Consolidated Interim Statements of Cash Flows  
(Unaudited, in millions of Canadian dollars)

Six months ended June 30, 2015 and 2014

	2015	2014
Cash flows from (used in) operating activities:		
Net income for the periods	\$ 208	\$ 93
Reconciliation of net income for the periods to cash flows from (used in) operating activities:		
Interest paid	(58)	(58)
Finance expenses	58	57
Income taxes paid	(1)	(4)
Income tax expense	9	11
Depreciation and amortization	83	74
Change in employee benefits provisions	(26)	(15)
Contributions received	19	17
Deferred revenue recognized	(12)	(10)
Fair value changes on derivative instruments	1	(2)
Gain on sale of a portion of investment in Capital Power	(21)	-
Gain on reclassification of investment in Capital Power as available-for-sale	(32)	-
Dividend income from available-for-sale investment in Capital Power	(3)	-
Equity share of income from Capital Power	(12)	(12)
Other	(2)	(7)
Funds from operations	211	144
Change in non-cash operating working capital	72	38
Net cash flows from operating activities	283	182
Cash flows from (used in) investing activities:		
Acquisitions or construction of property, plant and equipment and other assets	(191)	(154)
Proceeds on disposal of property, plant and equipment	1	1
Change in non-cash investing working capital	12	2
Payments received (advances) on finance lease receivables and other financial assets	(35)	14
Payments of Gold Bar transfer fees	(1)	(6)
Proceeds from sale of a portion of investment in Capital Power	216	-
Distributions received from Capital Power	13	12
Net cash flows from (used in) investing activities	15	(131)
Cash flows used in financing activities:		
Repayments of loans and borrowings	(4)	(9)
Repayment of short term loans and borrowings	(103)	-
Common share dividends paid	(71)	(71)
Net cash flows used in financing activities	(178)	(80)
Increase (decrease) in cash and cash equivalents	120	(29)
Cash and cash equivalents, beginning of the period	37	130
Cash and cash equivalents, end of the period	\$ 157	\$ 101

The accompanying notes are an integral part of these condensed consolidated interim financial statements



# EPCOR UTILITIES INC.

Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited, tabular amounts in millions of Canadian dollars unless otherwise indicated)

June 30, 2015

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## 1. Nature of operations

EPCOR Utilities Inc. (the Company or EPCOR) builds, owns and operates electrical transmission and distribution networks, water and wastewater treatment facilities and infrastructure, and provides electricity and water services as well as products to residential and commercial customers.

The Company operates in Canada and the United States (U.S.) with its registered head office located at 2000, 10423 - 101 Street NW, Edmonton, Alberta, Canada, T5H 0E8.

The common shares of EPCOR are owned by The City of Edmonton (the City). The Company was established by Edmonton City Council under City Bylaw 11071.

Interim results will fluctuate due to the seasonal demands for electricity and water, changes in electricity prices, and the timing and recognition of regulatory decisions. Consequently, interim results are not necessarily indicative of annual results.

## 2. Basis of presentation

### (a) Statement of compliance

These condensed consolidated interim financial statements have been prepared by management in accordance with International Accounting Standard 34 – Interim Financial Reporting, as issued by the International Accounting Standards Board. These condensed consolidated interim financial statements do not include all of the disclosure normally provided in the annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2014, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on August 5, 2015.

### (b) Basis of measurement

The Company's condensed consolidated interim financial statements are prepared on the historical cost basis, except for its beneficial interest in the sinking fund held with the City, available-for-sale investment in Capital Power and derivative financial instruments, which are measured at fair value.

### (c) Additional IFRS financial measure

The Company uses "operating income" as an additional IFRS financial measure. In management's opinion, the measure is a more effective indicator of the Company's and reportable business segments' operating performance than net income because it only includes items directly related to or resulting from management's operating decisions and actions.

## 3. Significant accounting policies

These condensed consolidated interim financial statements have been prepared following the same accounting policies and methods as those used in preparing the Company's most recent annual consolidated financial statements. EPCOR adopted amendments to various accounting standards effective January 1, 2015, that did not have a significant impact on these financial statements.

# EPCOR UTILITIES INC.

Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited, tabular amounts in millions of Canadian dollars unless otherwise indicated)

June 30, 2015

## 4. Trade and other receivables

	June 30, 2015	December 31, 2014
Trade receivables	\$ 184	\$ 203
Accrued revenues	106	111
Gross accounts receivable	290	314
Allowance for doubtful accounts	(3)	(3)
Net accounts receivable	287	311
Prepaid expenses	14	4
Income tax recoverable	2	2
	303	317
Current portion of finance lease receivables (note 5)	29	4
Current portion of other financial assets	174	12
	\$ 506	\$ 333

## 5. Finance lease receivables

In 2009, the Company acquired potable water and wastewater treatment plant assets for approximately \$100 million and agreed to lease the assets back to Suncor for a 20-year term after which Suncor had the option to purchase the assets from the Company for a specified price. As part of the arrangement, the Company also agreed to construct additional water and wastewater treatment plant assets for Suncor and to operate and maintain the original assets acquired and leased back to Suncor and the additional constructed assets over the 20-year lease term.

In February 2015, Suncor gave the Company notice that it will exercise its contractual rights to buy back the leased assets and terminate the related financing and operating agreements. The transfer of assets and operations back to Suncor is to take place over an 18-month period unless the parties agree otherwise. This is not expected to have a material impact on the Company or its operations.

Approximate future payments to the Company are as follows:

	Minimum lease receivable		Present value of minimum lease receivable	
	June 30, 2015	December 31, 2014	June 30, 2015	December 31, 2014
Within one year	\$ 38	\$ 15	\$ 29	\$ 4
Between one and five years	91	60	90	22
More than five years	1	145	1	96
Less: unearned finance income	(10)	(98)	-	-
	120	122	120	122
Less: current portion (note 4)	29	4	29	4
	\$ 91	\$ 118	\$ 91	\$ 118

## 6. Investment in Capital Power

In these condensed consolidated interim financial statements, Capital Power refers to Capital Power Corporation and its subsidiaries, including Capital Power L.P., except where otherwise noted or the context indicates otherwise.

On December 31, 2014, the Company owned 18.8 million exchangeable limited partnership units of Capital Power L.P. (exchangeable for common shares of Capital Power Corporation on a one-for-one basis), representing an 18% economic interest in Capital Power. The investment in Capital Power represented an investment subject to significant influence and was accounted for using the equity method.

## EPCOR UTILITIES INC.

Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited, tabular amounts in millions of Canadian dollars unless otherwise indicated)

June 30, 2015

On April 2, 2015, EPCOR exchanged 9,450,000 limited partnership units for an equal number of common shares of Capital Power which were immediately sold at an offering price of \$23.85 per share for aggregate gross proceeds of \$225 million. As a result of this transaction, the Company recognized a net gain before income tax of \$21 million in net income, including \$9 million on items previously recognized in other comprehensive income. In addition, EPCOR also exchanged all of its remaining 9,391,000 exchangeable limited partnership units for common shares of Capital Power. Following the completion of the offering, EPCOR directly owns 9% of Capital Power and as a result, the Company lost significant influence over Capital Power. Accordingly, the Company has reclassified its remaining investment in Capital Power as an available-for-sale asset. On initial recognition of investment in Capital Power as an available-for-sale asset, the Company recognized a net gain before income tax of \$32 million in net income including \$9 million on items previously recognized in other comprehensive income.

The change in investment in Capital Power is detailed as follows:

	At and for the six months ended June 30, 2015	At and for the year ended December 31, 2014
Balance, beginning of the period	\$ 393	\$ 385
Equity share of net income	12	15
Equity share of other comprehensive income	9	10
Distributions declared	(6)	(25)
Gain on dilution of interest	-	8
Sale of a portion of investment	(204)	-
Reclassification of investment as available-for-sale	(204)	-
Balance, end of the period	\$ -	\$ 393

The change in available-for-sale investment in Capital Power is detailed as follows:

	At and for the six months ended June 30, 2015
Transfer on reclassification from investment in Capital Power	\$ 204
Net gain on initial recognition as available-for-sale	23
Fair value loss for the period recorded in other comprehensive income	(25)
Balance, end of the period	\$ 202

The common shares of Capital Power are listed on the Toronto Stock Exchange under the symbol CPX. At June 30, 2015 the quoted market price of the common shares of Capital Power was \$21.54 per share.

# EPCOR UTILITIES INC.

Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited, tabular amounts in millions of Canadian dollars unless otherwise indicated)

June 30, 2015

## 7. Financial instruments

### Classification

The classification of the Company's financial instruments at June 30, 2015 and December 31, 2014 is summarized as follows:

	Classification				Fair value hierarchy
	Fair value through profit or loss	Loans and receivables	Other liabilities	Available-for-sale	
<b>Measured at fair value</b>					
Beneficial interest in sinking fund				X	Level 1
Available-for-sale investment in Capital Power				X	Level 1
Derivatives					
Financial electricity purchase contracts - designated	X				Level 1
Interest rate swaps – designated	X				Level 2
<b>Measured at amortized cost</b>					
Cash and cash equivalents		X			Level 2
Trade and other receivables		X			Level 3
Other financial assets		X			Level 2
Trade and other payables			X		Level 3
Debentures and borrowings			X		Level 2
Customer deposits			X		Level 3
Gold Bar transfer fee payable			X		Level 3

### Fair value

The carrying amounts of cash and cash equivalents, trade and other receivables, current portion of other financial assets, trade and other payables and certain other liabilities (including customer deposits and Gold Bar transfer fee payable) approximate their fair values due to the short-term nature of these financial instruments.

The carrying amounts and fair values of the Company's remaining financial assets and liabilities are as follows:

	June 30, 2015		December 31, 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current portion of other financial assets	\$ 281	\$ 312	\$ 408	\$ 443
Available-for-sale investment in Capital Power	202	202	-	-
Loans and borrowings				
Debentures and borrowings	2,070	2,464	2,154	2,579
Beneficial interest in sinking fund	(77)	(77)	(74)	(74)
Derivatives	10	10	9	9

### Fair value hierarchy

The financial instruments of the Company that are recorded at fair value have been classified into levels using a fair value hierarchy. A Level 1 valuation is determined by unadjusted quoted prices in active markets for identical assets or liabilities.

# EPCOR UTILITIES INC.

Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited, tabular amounts in millions of Canadian dollars unless otherwise indicated)

June 30, 2015

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A Level 2 valuation is based upon inputs other than quoted prices included in Level 1 that are observable for the instruments either directly or indirectly. A Level 3 valuation for the assets and liabilities are not based on observable market data.

#### *Loans and other long-term receivables*

The fair value of the Company's unsecured long-term receivable from Capital Power is based on a current yield for the Company's receivable at June 30, 2015 and December 31, 2014. This yield is based on an estimated credit spread for Capital Power over the yields of long-term Government of Canada bonds that have similar maturities to the Company's receivable. The estimated credit spread is based on Capital Power's indicative spread as published by independent financial institutions.

The fair values of the Company's other long-term loans and receivables are based on the estimated interest rates implicit in comparable loan arrangements plus an estimated credit spread based on the counterparty risks at June 30, 2015 and December 31, 2014.

#### *Loans and borrowings*

The fair value of the Company's long-term loans and borrowings is based on determining a current yield for the Company's debt at June 30, 2015 and December 31, 2014. This yield is based on an estimated credit spread for the Company over the yields of long-term Government of Canada bonds for Canadian dollar loans and U.S. Treasury bonds for U.S. dollar loans that have similar maturities to the Company's debt. The estimated credit spread is based on the Company's indicative spread as published by independent financial institutions. The Company's long-term loans and borrowings (including the current portion) include City debentures which are offset by payments made by the Company into the sinking fund. The Company's beneficial interest in the sinking fund is a related party balance and has been recorded at fair value as it has been classified as an available-for-sale financial asset. The fair value of the beneficial interest in the sinking fund is based on quoted market values as determined by the City at or near the reporting date.

Short-term loans and borrowings are measured at amortized cost and their carrying value approximate the fair value due to the short-term nature of these financial instruments.

#### *Available-for-sale investment in Capital Power*

The available-for-sale investment in Capital Power represent investment in common shares of Capital Power. The fair value of the investment is based on the quoted price of Capital Power common shares on Toronto Stock Exchange at June 30, 2015.

#### *Derivatives*

The fair value of the Company's financial electricity contracts is determined based on exchange index prices in active markets. Fair value amounts reflect management's best estimates using external readily observable market data such as forward electricity prices.

The fair value of the Company's interest rate swaps is based on valuations obtained from the counterparty. The fair value is determined by the counterparty using a discounted cash flow model. The inputs used include notional amounts, the quoted forward Canadian Dealer Offering Rate curve, the contractual fixed settlement rate and an applicable discount factor.

It is possible that the assumptions used in establishing fair value amounts will differ from future outcomes and the impact of such variations could be material.

# **EPCOR UTILITIES INC.**

Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited, tabular amounts in millions of Canadian dollars unless otherwise indicated)

June 30, 2015

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## **8. Segment disclosures**

The Company operates in the following reportable business segments, which follow the organization, management and reporting structure within the Company.

### **Water Services**

Water Services is primarily involved in the treatment and distribution of water and the treatment of wastewater within Edmonton and other communities throughout Western Canada and the Southwestern U.S.

### **Distribution and Transmission**

Distribution and Transmission is involved in the transmission and distribution of electricity within Edmonton. This segment also provides commercial services including the maintenance and repair of the City-owned street lighting and transportation support facilities.

### **Energy Services**

Energy Services is primarily involved in the provision of regulated tariff electricity service and default supply electricity service to residential, small commercial and agricultural customers in Alberta. Energy Services also provides competitive electricity and natural gas products through Encor.

### **Corporate**

Corporate reflects the costs of the Company's net unallocated corporate office expenses and financing revenue on the long-term receivable from Capital Power. Corporate holds the available-for-sale investment in Capital Power.

# EPCOR UTILITIES INC.

Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited, tabular amounts in millions of Canadian dollars unless otherwise indicated)

June 30, 2015

## Lines of business information

Three months ended June 30, 2015

	Water Services	Distribution & Transmission	Energy Services	Corporate	Eliminations	Consolidated
External revenues and other income	\$ 180	\$ 109	\$ 200	\$ 6	\$ -	\$ 495
Inter-segment revenues	-	33	3	-	(36)	-
Total revenues and other income	180	142	203	6	(36)	495
Electricity purchases and system access fees	-	49	143	-	(30)	162
Other raw materials and operating charges	54	8	-	1	(2)	61
Staff costs and employee benefits expenses	34	26	7	9	(1)	75
Depreciation and amortization	21	17	1	4	-	43
Franchise fees and property taxes	8	16	-	-	-	24
Other administrative expenses (recovery)	5	5	6	(2)	(3)	11
Operating expenses	122	121	157	12	(36)	376
Operating income (loss) before corporate charges	58	21	46	(6)	-	119
Corporate (charges) income	(5)	(6)	(3)	14	-	-
Operating income	53	15	43	8	-	119
Finance (expenses) income	(21)	(12)	(1)	9	-	(25)
Dividend income from available for sale investment in Capital Power	-	-	-	3	-	3
Gain on sale of a portion of investment in Capital Power	-	-	-	21	-	21
Gain on reclassification of investment in Capital Power as available-for-sale	-	-	-	32	-	32
Income tax expense	(3)	-	-	(8)	-	(11)
Net income	\$ 29	\$ 3	\$ 42	\$ 65	\$ -	\$ 139
Total assets	\$ 3,158	\$ 1,794	\$ 163	\$ 3,151	\$ (2,375)	\$ 5,891
Total liabilities	2,507	1,217	87	1,979	(2,375)	3,415
Capital additions	57	62	-	2	-	121

# EPCOR UTILITIES INC.

Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited, tabular amounts in millions of Canadian dollars unless otherwise indicated)

June 30, 2015

Three months ended June 30, 2014							
	Water Services	Distribution & Transmission	Energy Services	Corporate	Eliminations	Consolidated	
External revenues and other income	\$ 139	\$ 93	\$ 203	\$ 6	\$ -	\$ 441	
Inter-segment revenues	-	32	3	-	(35)	-	
Total revenues and other income	139	125	206	6	(35)	441	
Electricity purchases and system access fees	-	35	169	-	(29)	175	
Other raw materials and operating charges	30	10	-	1	(3)	38	
Staff costs and employee benefits expenses	31	25	6	8	-	70	
Depreciation and amortization	18	14	1	4	-	37	
Franchise fees and property taxes	6	17	-	-	-	23	
Other administrative expenses	7	3	6	(1)	(3)	12	
Operating expenses	92	104	182	12	(35)	355	
Operating income (loss) before corporate charges	47	21	24	(6)	-	86	
Corporate (charges) income	(6)	(6)	(3)	15	-	-	
Operating income	41	15	21	9	-	86	
Finance (expenses) income	(19)	(10)	(2)	2	-	(29)	
Equity share of income of Capital Power	-	-	-	3	-	3	
Income tax expense	(4)	-	-	(1)	-	(5)	
Net income	\$ 18	\$ 5	\$ 19	\$ 13	\$ -	\$ 55	
Total assets	\$ 2,748	\$ 1,612	\$ 234	\$ 2,977	\$ (2,138)	\$ 5,433	
Investment in Capital Power	-	-	-	381	-	381	
Total liabilities	2,129	1,050	169	1,941	(2,138)	3,151	
Capital additions	41	48	1	1	-	91	



# EPCOR UTILITIES INC.

Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited, tabular amounts in millions of Canadian dollars unless otherwise indicated)

June 30, 2015

Six months ended June 30, 2015							
	Water Services	Distribution & Transmission	Energy Services	Corporate	Eliminations	Consolidated	
External revenues and other income	\$ 327	\$ 210	\$ 425	\$ 11	\$ -	\$ 973	
Inter-segment revenues	-	75	6	-	(81)	-	
Total revenues and other income	327	285	431	11	(81)	973	
Electricity purchases and system access fees	-	89	335	-	(70)	354	
Other raw materials and operating charges	98	13	-	1	(4)	108	
Staff costs and employee benefits expenses	66	50	13	18	(1)	146	
Depreciation and amortization	41	32	3	7	-	83	
Franchise fees and property taxes	14	34	-	-	-	48	
Other administrative expenses	12	9	12	-	(6)	27	
Operating expenses	231	227	363	26	(81)	766	
Operating income (loss) before corporate charges	96	58	68	(15)	-	207	
Corporate (charges) income	(12)	(13)	(5)	30	-	-	
Operating income	84	45	63	15	-	207	
Finance (expenses) income	(43)	(24)	(2)	11	-	(58)	
Equity share of income of Capital Power	-	-	-	12	-	12	
Dividend income from available for sale investment in Capital Power	-	-	-	3	-	3	
Gain on sale of a portion of investment in Capital Power	-	-	-	21	-	21	
Gain on reclassification of investment in Capital Power as available-for-sale	-	-	-	32	-	32	
Income tax expense	(4)	-	-	(5)	-	(9)	
Net income	\$ 37	\$ 21	\$ 61	\$ 89	\$ -	\$ 208	
Total assets	\$ 3,158	\$ 1,794	\$ 163	\$ 3,151	\$ (2,375)	\$ 5,891	
Total liabilities	2,507	1,217	87	1,979	(2,375)	3,415	
Capital additions	84	103	-	4	-	191	

# EPCOR UTILITIES INC.

Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited, tabular amounts in millions of Canadian dollars unless otherwise indicated)

June 30, 2015

Six months ended June 30, 2014							
	Water Services	Distribution & Transmission	Energy Services	Corporate	Eliminations	Consolidated	
External revenues and other income	\$ 259	\$ 182	\$ 458	\$ 12	\$ -	\$ 911	
Inter-segment revenues	-	72	5	-	(77)	-	
Total revenues and other income	259	254	463	12	(77)	911	
Electricity purchases and system access fees	-	73	402	-	(66)	409	
Other raw materials and operating charges	53	16	-	1	(5)	65	
Staff costs and employee benefits expenses	62	50	12	17	-	141	
Depreciation and amortization	36	28	3	7	-	74	
Franchise fees and property taxes	12	34	-	-	-	46	
Other administrative expenses	14	7	11	1	(6)	27	
Operating expenses	177	208	428	26	(77)	762	
Operating income (loss) before corporate charges	82	46	35	(14)	-	149	
Corporate (charges) income	(12)	(13)	(5)	30	-	-	
Operating income	70	33	30	16	-	149	
Finance (expenses) income	(38)	(21)	(4)	6	-	(57)	
Equity share of income of Capital Power	-	-	-	12	-	12	
Income tax expense	(5)	-	(5)	(1)	-	(11)	
Net income	\$ 27	\$ 12	\$ 21	\$ 33	\$ -	\$ 93	
Total assets	\$ 2,748	\$ 1,612	\$ 234	\$ 2,977	\$ (2,138)	\$ 5,433	
Investment in Capital Power	-	-	-	381	-	381	
Total liabilities	2,129	1,050	169	1,941	(2,138)	3,151	
Capital additions	66	84	2	2	-	154	

# EPCOR UTILITIES INC.

Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited, tabular amounts in millions of Canadian dollars unless otherwise indicated)

June 30, 2015

## Geographic information

	Three months ended June 30, 2015				Six months ended June 30, 2015			
	Canada	U.S.	Inter-segment eliminations	Total	Canada	U.S.	Inter-segment eliminations	Total
External revenues and other income	\$ 447	\$ 48	\$ -	\$ 495	\$ 886	\$ 87	\$ -	\$ 973
Inter-segment revenues	36	-	(36)	-	81	-	(81)	-
Total revenues and other income	\$ 483	\$ 48	\$ (36)	\$ 495	\$ 967	\$ 87	\$ (81)	\$ 973

	Three months ended June 30, 2014				Six months ended June 30, 2014			
	Canada	U.S.	Inter-segment eliminations	Total	Canada	U.S.	Inter-segment eliminations	Total
External revenues and other income	\$ 398	\$ 43	\$ -	\$ 441	\$ 834	\$ 77	\$ -	\$ 911
Inter-segment revenues	35	-	(35)	-	77	-	(77)	-
Total revenues and other income	\$ 433	\$ 43	\$ (35)	\$ 441	\$ 911	\$ 77	\$ (77)	\$ 911

## Non-current assets

	June 30, 2015	December 31, 2014
Canada	\$ 4,294	\$ 4,512
U.S.	921	842
	\$ 5,215	\$ 5,354