

Condensed Consolidated Interim Financial Statements of

EPCOR UTILITIES INC.

Nine months ended September 30, 2014 and 2013

EPCOR UTILITIES INC.

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

Three and nine months ended September 30, 2014 and 2013

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Revenues and other income:				
Revenues	\$ 506	\$ 515	\$ 1,405	\$ 1,437
Other income	6	7	18	21
	512	522	1,423	1,458
Expenses:				
Electricity purchases and system access fees	237	282	646	728
Other raw materials and operating charges	61	39	126	108
Staff costs and employee benefits expenses	73	69	214	211
Depreciation and amortization	39	37	113	105
Franchise fees and property taxes	24	23	70	66
Other administrative expenses	12	14	39	42
	446	464	1,208	1,260
Operating income	66	58	215	198
Finance expenses	(29)	(26)	(86)	(80)
Equity share of income (loss) of Capital Power (note 5)	(10)	17	2	41
Income before income taxes	27	49	131	159
Income tax recovery (expense)	(4)	1	(15)	(7)
Net income for the periods				
– all attributable to the Owner of the Company	23	50	116	152
Other comprehensive income (loss):				
Items that may subsequently be reclassified to net income:				
Equity share of other comprehensive gain (loss) of Capital Power ¹ (note 5)	3	(1)	(1)	(3)
Unrealized loss on available-for-sale financial assets ²	-	(1)	-	(1)
Unrealized gain (loss) on foreign currency translation ²	14	(6)	16	7
	17	(8)	15	3
Comprehensive income for the periods				
– all attributable to the Owner of the Company	\$ 40	\$ 42	\$ 131	\$ 155

¹ For the three and nine months ended September 30, 2014, net of income tax of nil. For the three and nine months ended September 30, 2013, net of income tax recovery of nil and \$1 million, respectively.

² For the three and nine months ended September 30, 2014 and 2013, net of income tax of nil.

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EPCOR UTILITIES INC.

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

September 30, 2014 and December 31, 2013

	2014	2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 41	\$ 130
Trade and other receivables	305	360
Derivatives (note 4)	4	-
Inventories	15	14
	365	504
Non-current assets:		
Finance lease receivables	119	122
Other financial assets	388	367
Deferred tax assets	53	53
Investment in Capital Power (note 5)	368	385
Property, plant and equipment	3,978	3,776
Intangible assets	242	240
	5,148	4,943
TOTAL ASSETS	\$ 5,513	\$ 5,447

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

EPCOR UTILITIES INC.

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

September 30, 2014 and December 31, 2013

	2014	2013
LIABILITIES AND EQUITY		
Current liabilities:		
Trade and other payables	\$ 233	\$ 245
Loans and borrowings	44	15
Deferred revenue	23	23
Provisions	24	29
Derivatives (note 4)	-	1
Other liabilities	25	28
	349	341
Non-current liabilities:		
Derivatives (note 4)	2	-
Loans and borrowings	1,957	1,957
Deferred revenue	804	783
Deferred tax liabilities	21	12
Provisions	81	80
Other liabilities	12	12
	2,877	2,844
Total liabilities	3,226	3,185
Equity attributable to the Owner of the Company:		
Share capital	24	24
Accumulated other comprehensive income	28	13
Retained earnings	2,235	2,225
Total equity	2,287	2,262
TOTAL LIABILITIES AND EQUITY	\$ 5,513	\$ 5,447

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)

Nine months ended September 30, 2014 and 2013

	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	-	-	-	-	-	-	116	116
Other comprehensive income (loss):								
Equity share of other comprehensive loss of Capital Power	-	-	-	-	-	(1)	-	(1)
Unrealized gain on foreign subsidiary	-	-	-	16	-	-	-	16
Total comprehensive income (loss)	-	-	-	16	-	(1)	116	131
Dividends	-	-	-	-	-	-	(106)	(106)
Equity at September 30, 2014	\$ 24	\$ (5)	\$ 1	\$ 33	\$ (4)	\$ 3	\$ 2,235	\$ 2,287

	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, 2012	\$ 24	\$ (7)	\$ 2	\$ -	\$ (7)	\$ 19	\$ 2,191	\$ 2,222
Net income for the period	-	-	-	-	-	-	152	152
Other comprehensive income (loss):								
Equity share of other comprehensive loss of Capital Power	-	-	-	-	-	(3)	-	(3)
Unrealized loss on available-for-sale financial assets	-	-	(1)	-	-	-	-	(1)
Unrealized gain on foreign subsidiary	-	-	-	7	-	-	-	7
Total comprehensive income (loss)	-	-	(1)	7	-	(3)	152	155
Dividends	-	-	-	-	-	-	(106)	(106)
Equity at September 30, 2013	\$ 24	\$ (7)	\$ 1	\$ 7	\$ (7)	\$ 16	\$ 2,237	\$ 2,271

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

EPCOR UTILITIES INC.

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

Nine months ended September 30, 2014 and 2013

	2014	2013
Cash flows from (used in) operating activities:		
Net income for the periods	\$ 116	\$ 152
Reconciliation of net income for the periods to cash flows from (used in) operating activities:		
Interest paid	(84)	(80)
Finance expenses	86	80
Income taxes paid	(6)	(6)
Income tax expense	15	7
Depreciation and amortization	113	105
Contributions received	22	22
Deferred revenue recognized	(17)	(15)
Fair value changes on derivative instruments	(3)	(2)
Equity share of income from Capital Power	(2)	(41)
Other	(1)	(2)
Funds from operations	239	220
Change in non-cash operating working capital	(2)	(70)
Net cash flows from operating activities	237	150
Cash flows from (used in) investing activities:		
Acquisitions or construction of property, plant and equipment and other assets	(265)	(309)
Proceeds on disposal of property, plant and equipment	1	1
Change in non-cash investing working capital	9	14
Payments of Gold Bar transfer fees	(6)	(10)
Payments received on long-term receivables	8	14
Distributions received from Capital Power	18	27
Net cash flows used in investing activities	(235)	(263)
Cash flows from (used in) financing activities:		
Proceeds from issuance of loans and borrowings	30	75
Repayments of loans and borrowings	(12)	(11)
Provisions	(3)	(3)
Common share dividends paid	(106)	(106)
Net cash flows used in financing activities	(91)	(45)
Decrease in cash and cash equivalents	(89)	(158)
Cash and cash equivalents, beginning of period	130	232
Cash and cash equivalents, end of period	\$ 41	\$ 74

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)

September 30, 2014

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 and 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, 2013 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 November 7, 2014.

(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 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.

(d) Investment in Heartland Transmission Project

In 2011, the Company entered into a joint arrangement to jointly own and control a double-circuit 500 kilovolt alternating current electricity transmission line (the Heartland Transmission Project) extending the 500 kilovolt electricity transmission system from the south Edmonton area to the Industrial Heartland area near the City of Fort Saskatchewan. The Company had rights to the assets and obligations for the liabilities of the Heartland Transmission Project. Accordingly, the Company was classifying its interest in the Heartland Transmission Project as a joint operation. As a result, the consolidated financial statements include EPCOR's 50% share of the joint operation's assets, liabilities, revenue and expenses with items of a similar nature on a line-by-line basis. Unrealized gains and losses on transactions between EPCOR and the joint operation are eliminated to the extent of EPCOR's interest in the joint operation and unrealized losses are eliminated only to the extent there is no evidence of impairment. Effective October 1, 2014 the joint operation partners unanimously agreed to partition and divide the project facilities between the owners and terminate and windup the joint operation. Accordingly, the Company has discontinued classifying its interest in the Heartland Transmission Project as a joint operation, however EPCOR's 50% share of the assets and liabilities of the project continue to be amalgamated with the Distribution and Transmission segment of the

EPCOR UTILITIES INC.

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

September 30, 2014

Company.

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, with the exception of accounting policies adopted as a result of the following new and amended accounting standards relevant to EPCOR effective January 1, 2014:

IFRS 10 – Consolidated Financial Statements (Amendment)
IFRS 12 – Disclosure of Interests in Other Entities (Amendment)
IAS 32 – Financial Instruments: Presentation (Amendment)
IAS 36 – Impairment of Assets (Amendment)
IAS 39 – Financial Instruments: Recognition and Measurement (Amendment)
IFRIC 21 – Levies

There was no significant impact on these financial statements as a result of the accounting policies adopted.

4. Derivatives

An EPCOR led consortium won a bid to design, build, finance, operate and maintain a new wastewater treatment facility for the City of Regina under a public private partnership. The contract was signed July 3, 2014. In August 2014, EPCOR took over operations of the existing wastewater treatment plant in Regina. Construction on the new plant has commenced and is expected to be substantially completed by December 2016. The agreement includes operation of the new and existing facilities for a term of 30 years. Contracted undiscounted cash flows from this project are estimated to be \$444 million.

In May 2014, the Company entered into the following interest rate swaps to manage its interest rate risk in the Regina wastewater project as described below:

Type	Range of term	Notional amount	Fixed rate	Floating rate index
Pay fixed, receive floating	August 1, 2014 – January 3, 2017	Range of \$18 million – \$136 million	1.55%	1-month CDOR
Pay fixed, receive floating	January 3, 2017 – June 1, 2044	\$67 million	3.51%	1-month CDOR

The counterparty to the swap arrangements is a major Canadian financial institution. The swaps will be net cash settled on a monthly basis. The Company does not anticipate any material adverse effect on its financial covenants resulting from its involvement in this type of swap arrangement, nor does it anticipate non-performance by the counterparty. At September 30, 2014, the maximum exposure to credit risk of the interest rate swaps is equal to their carrying amounts, which is a net liability of \$2 million.

EPCOR UTILITIES INC.

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

September 30, 2014

The interest rate swap, at a fixed rate of 1.55%, has monthly notional amounts that mirror the expected net development funding requirements over the project's construction term. The Company used the forward Canadian Dealer Offering Rate (CDOR) rate as of September 30, 2014 to determine the estimated contractual obligations of the Company due to these swaps. Future cash flows may differ from the amounts noted below due to changes in the monthly CDOR rate. At September 30, 2014, the undiscounted cash flow requirements and contractual maturities of the interest rate swaps were as follows:

Carrying value	2014	2015	2016	2017	2018	2019 and thereafter	Total contractual cash outflows
Interest rate swaps – net	\$ -	\$ -	\$ -	\$ 1	\$ 1	\$ -	\$ 2

At September 30, 2014, a 50 basis point increase in the forward CDOR rate would increase fair value of the interest rate swaps by a combined amount of \$3 million. At September 30, 2014, a 50 basis point decrease in the forward CDOR rate would decrease fair value of the interest rate swaps by a combined amount of \$7 million. This analysis assumes that all other variables remain constant.

5. 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.

At September 30, 2014, the Company owned 18.8 million (December 31, 2013 – 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 a 19% (December 31, 2013 – 19%) economic interest in Capital Power.

EPCOR does not control Capital Power. The investment in Capital Power represents an investment subject to significant influence and is accounted for using the equity method.

Capital Power is listed on the Toronto Stock Exchange under the symbol CPX. The quoted market price of the common shares of Capital Power at September 30, 2014 was \$26.75 per common share (December 31, 2013 – \$21.30 per common share). Fair value of the Company's investment in Capital Power at September 30, 2014 was \$504 million (December 31, 2013 – \$401 million) before selling costs.

The investment in Capital Power L.P. is detailed as follows:

	At and for the nine months ended September 30, 2014	At and for the year ended December 31, 2013
Balance, beginning of period	\$ 385	\$ 621
Equity share of net income	2	66
Equity share of other comprehensive loss	(1)	(13)
Distributions declared	(18)	(33)
Sale of a portion of the investment	-	(213)
Impairment	-	(43)
Balance, end of period	\$ 368	\$ 385

EPCOR UTILITIES INC.

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

September 30, 2014

6. Financial instruments

Classification

The classification of the Company's financial instruments at September 30, 2014 and December 31, 2013 is summarized as follows:

	Classification				Fair value hierarchy
	Fair value through profit or loss	Loans and receivables	Other liabilities	Available-for-sale	
Measured at fair value					
Beneficial interest in sinking fund				X	Level 1
Derivatives					
Financial electricity purchase contracts	X				Level 1
Interest rate swaps	X				Level 2
Measured at amortized cost					
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:

	September 30, 2014		December 31, 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current portion of other financial assets	\$ 388	\$ 425	\$ 367	\$ 402
Loans and borrowings				
Debentures and borrowings	2,074	2,342	2,039	2,238
Beneficial interest in sinking fund	(73)	(73)	(67)	(67)
Derivatives	2	2	(1)	(1)

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. 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.

EPCOR UTILITIES INC.

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

September 30, 2014

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 September 30, 2014 and December 31, 2013. 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 September 30, 2014 and December 31, 2013.

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 September 30, 2014 and December 31, 2013. 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.

Derivatives

The fair value of the Company's financial electricity purchase 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 CDOR 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.

7. 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 includes commercial services for the maintenance and repair of the City of Edmonton owned street lighting and transportation support facilities.

EPCOR UTILITIES INC.

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

September 30, 2014

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.

On March 1, 2014, EPCOR completed its restructuring of Energy Services. The services formerly offered directly by EPCOR Energy Alberta Inc. are now provided by EPCOR Energy Alberta Limited Partnership, through its general partner EPCOR Energy Alberta GP Inc.

In May 2014, the Company launched Encor to provide competitive electricity and natural gas products.

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 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)

September 30, 2014

Lines of business information

Three months ended September 30, 2014

	Water Services	Distribution & Transmission	Energy Services	Corporate	Eliminations	Consolidated
External revenues and other income	\$ 171	\$ 105	\$ 230	\$ 6	\$ -	\$ 512
Inter-segment revenues	-	36	3	-	(39)	-
Total revenues and other income	171	141	233	6	(39)	512
Electricity purchases and system access fees	-	48	222	-	(33)	237
Other raw materials and operating charges	51	12	-	-	(2)	61
Staff costs and employee benefits expenses	31	25	7	11	(1)	73
Depreciation and amortization	19	15	2	3	-	39
Franchise fees and property taxes	7	17	-	-	-	24
Other administrative expenses	5	4	7	(1)	(3)	12
Operating expenses	113	121	238	13	(39)	446
Operating income (loss) before corporate charges	58	20	(5)	(7)	-	66
Corporate (charges) income	(7)	(6)	(2)	15	-	-
Operating income(loss)	51	14	(7)	8	-	66
Finance (expenses) income	(19)	(11)	(1)	2	-	(29)
Equity share of loss of Capital Power	-	-	-	(10)	-	(10)
Income tax expense	(4)	-	-	-	-	(4)
Net income (loss)	\$ 28	\$ 3	\$ (8)	\$ -	\$ -	\$ 23
Total assets	\$ 2,769	\$ 1,709	\$ 171	\$ 877	\$ (13)	\$ 5,513
Investment in Capital Power	-	-	-	368	-	368
Total liabilities	2,111	920	114	94	(13)	3,226
Capital additions	55	54	-	2	-	111

EPCOR UTILITIES INC.

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

September 30, 2014

Three months ended September 30, 2013							
	Water Services	Distribution & Transmission	Energy Services	Corporate	Eliminations	Consolidated	
External revenues and other income	\$ 143	\$ 99	\$ 274	\$ 6	\$ -	\$ 522	
Inter-segment revenues	-	36	3	-	(39)	-	
Total revenues and other income	143	135	277	6	(39)	522	
Electricity purchases and system access fees	-	48	268	-	(34)	282	
Other raw materials and operating charges	31	10	-	-	(2)	39	
Staff costs and employee benefits expenses	29	26	4	10	-	69	
Depreciation and amortization	19	12	2	4	-	37	
Franchise fees and property taxes	6	17	-	-	-	23	
Other administrative expenses	5	3	5	4	(3)	14	
Operating expenses	90	116	279	18	(39)	464	
Operating income (loss) before corporate charges	53	19	(2)	(12)	-	58	
Corporate (charges) income	(6)	(7)	(4)	17	-	-	
Operating income (loss)	47	12	(6)	5	-	58	
Finance (expenses) income	(19)	(7)	(2)	2	-	(26)	
Equity share of income of Capital Power	-	-	-	17	-	17	
Income tax recovery (expense)	(1)	-	2	-	-	1	
Net income (loss)	\$ 27	\$ 5	\$ (6)	\$ 24	\$ -	\$ 50	
Total assets	\$ 2,459	\$ 1,441	\$ 269	\$ 1,348	\$ (14)	\$ 5,503	
Investment in Capital Power	-	-	-	631	-	631	
Total liabilities	1,873	786	211	376	(14)	3,232	
Capital additions	53	75	1	1	-	130	

EPCOR UTILITIES INC.

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

September 30, 2014

Nine months ended September 30, 2014							
	Water Services	Distribution & Transmission	Energy Services	Corporate	Eliminations	Consolidated	
External revenues and other income	\$ 430	\$ 287	\$ 688	\$ 18	\$ -	\$ 1,423	
Inter-segment revenues	-	108	8	-	(116)	-	
Total revenues and other income	430	395	696	18	(116)	1,423	
Electricity purchases and system access fees	-	121	624	-	(99)	646	
Other raw materials and operating charges	104	28	-	1	(7)	126	
Staff costs and employee benefits expenses	93	75	19	28	(1)	214	
Depreciation and amortization	55	43	5	10	-	113	
Franchise fees and property taxes	19	51	-	-	-	70	
Other administrative expenses	19	11	18	-	(9)	39	
Operating expenses	290	329	666	39	(116)	1,208	
Operating income (loss) before corporate charges	140	66	30	(21)	-	215	
Corporate (charges) income	(19)	(19)	(7)	45	-	-	
Operating income	121	47	23	24	-	215	
Finance (expenses) income	(57)	(32)	(5)	8	-	(86)	
Equity share of income of Capital Power	-	-	-	2	-	2	
Income tax expense	(9)	-	(5)	(1)	-	(15)	
Net income	\$ 55	\$ 15	\$ 13	\$ 33	\$ -	\$ 116	
Total assets	\$ 2,769	\$ 1,709	\$ 171	\$ 877	\$ (13)	\$ 5,513	
Investment in Capital Power	-	-	-	368	-	368	
Total liabilities	2,111	920	114	94	(13)	3,226	
Capital additions	121	138	2	4	-	265	

EPCOR UTILITIES INC.

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

September 30, 2014

Nine months ended September 30, 2013

	Water Services	Distribution & Transmission	Energy Services	Corporate	Eliminations	Consolidated
External revenues and other income	\$ 392	\$ 280	\$ 766	\$ 20	\$ -	\$ 1,458
Inter-segment revenues	-	114	8	-	(122)	-
Total revenues and other income	392	394	774	20	(122)	1,458
Electricity purchases and system access fees	-	125	709	-	(106)	728
Other raw materials and operating charges	90	25	-	-	(7)	108
Staff costs and employee benefits expenses	89	75	16	31	-	211
Depreciation and amortization	52	37	5	11	-	105
Franchise fees and property taxes	17	49	-	-	-	66
Other administrative expenses	17	9	16	9	(9)	42
Operating expenses	265	320	746	51	(122)	1,260
Operating income (loss) before corporate charges	127	74	28	(31)	-	198
Corporate (charges) income	(20)	(22)	(10)	52	-	-
Operating income	107	52	18	21	-	198
Finance (expenses) income	(58)	(22)	(6)	6	-	(80)
Equity share of income of Capital Power	-	-	-	41	-	41
Income tax expense	(3)	-	(3)	(1)	-	(7)
Net income	\$ 46	\$ 30	\$ 9	\$ 67	\$ -	\$ 152
Total assets	\$ 2,459	\$ 1,441	\$ 269	\$ 1,348	\$ (14)	\$ 5,503
Investment in Capital Power	-	-	-	631	-	631
Total liabilities	1,873	786	211	376	(14)	3,232
Capital additions	96	205	4	4	-	309

EPCOR UTILITIES INC.

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

September 30, 2014

Geographic information

	Three months ended September 30, 2014				Nine months ended September 30, 2014			
	Canada	U.S.	Inter-segment eliminations	Total	Canada	U.S.	Inter-segment eliminations	Total
External revenues and other income	\$ 467	\$ 45	\$ -	\$ 512	\$ 1,301	\$ 122	\$ -	\$ 1,423
Inter-segment revenues	39	-	(39)	-	116	-	(116)	-
Total revenues and other income	\$ 506	\$ 45	\$ (39)	\$ 512	\$ 1,417	\$ 122	\$ (116)	\$ 1,423

	Three months ended September 30, 2013				Nine months ended September 30, 2013			
	Canada	U.S.	Inter-segment eliminations	Total	Canada	U.S.	Inter-segment eliminations	Total
External revenues and other income	\$ 479	\$ 43	\$ -	\$ 522	\$ 1,347	\$ 111	\$ -	\$ 1,458
Inter-segment revenues	39	-	(39)	-	122	-	(122)	-
Total revenues and other income	\$ 518	\$ 43	\$ (39)	\$ 522	\$ 1,469	\$ 111	\$ (122)	\$ 1,458

Non-current assets

	September 30, 2014	December 31, 2013
Canada	\$ 4,341	\$ 4,190
U.S.	807	753
	\$ 5,148	\$ 4,943