

Condensed Consolidated Interim Financial Statements of

EPCOR UTILITIES INC.

Nine months ended September 30, 2016 and 2015

EPCOR UTILITIES INC.

Condensed Consolidated Interim Financial Statements

Nine months ended September 30, 2016 and 2015

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EPCOR UTILITIES INC.

Condensed Consolidated Interim Statements of Income and Loss
(In millions of Canadian dollars)

Three and nine months ended September 30, 2016 and 2015

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Revenues and other income:				
Revenues	\$ 504	\$ 511	\$ 1,458	\$ 1,473
Other income	3	6	11	17
	507	517	1,469	1,490
Operating expenses:				
Energy purchases and system access fees	192	237	551	591
Other raw materials and operating charges	55	66	145	181
Staff costs and employee benefits expenses	68	67	208	201
Depreciation and amortization	50	43	132	126
Franchise fees and property taxes	25	24	74	72
Other administrative expenses	19	16	55	48
	409	453	1,165	1,219
Operating income	98	64	304	271
Finance expenses	(27)	(30)	(90)	(88)
Dividend income from available-for-sale investment in Capital Power	2	3	9	6
Fair value gain on available-for-sale investment in Capital Power reclassified from other comprehensive income on sale of portion of investment (note 4)	12	-	12	-
Equity share of income of Capital Power L.P.	-	-	-	12
Gain (loss) on investment in Capital Power L.P., net of impairment	-	(50)	-	3
Income (loss) before income taxes	85	(13)	235	204
Income tax expense	(9)	-	(14)	(9)
Net income (loss) for the periods				
– all attributable to the Owner of the Company	\$ 76	\$ (13)	\$ 221	\$ 195

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

EPCOR UTILITIES INC.

Condensed Consolidated Interim Statements of Comprehensive Income
(In millions of Canadian dollars)

Three and nine months ended September 30, 2016 and 2015

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Net income (loss) for the periods	\$ 76	\$ (13)	\$ 221	\$ 195
Other comprehensive income (loss):				
Items that may subsequently be reclassified to net income:				
Equity share of other comprehensive income of Capital Power L.P. ¹	-	-	-	7
Equity share of other comprehensive income of Capital Power L.P. realized in net income ²	-	-	-	(14)
Fair value gain (loss) on available-for-sale investment in Capital Power ³ (note 4)	15	(32)	29	(50)
Fair value gain on available-for-sale investment in Capital Power reclassified to net income on sale of portion of investment (note 4)	(12)	-	(12)	-
Impairment of available-for-sale investment in Capital Power reclassified to net income	-	50	-	50
Unrealized gain (loss) on foreign currency translation	5	23	(21)	47
	8	41	(4)	40
Comprehensive income for the periods				
– all attributable to the Owner of the Company	\$ 84	\$ 28	\$ 217	\$ 235

¹ For the three and nine months ended September 30, 2016, net of income tax expense of nil. For the three and nine months ended September 30, 2015, net of income tax expense of nil and \$2 million, respectively.

² For the three and nine months ended September 30, 2016, net of reclassification of income tax expense of nil. For the three and nine months ended September 30, 2015, net of reclassification of income tax expense of nil and \$4 million, respectively.

³ For the three and nine months ended September 30, 2016, net of income tax expense of nil. For the three and nine months ended September 30, 2015, net of income tax recovery of \$7 million and nil, respectively.

EPCOR UTILITIES INC.

Condensed Consolidated Interim Statements of Financial Position
(In millions of Canadian dollars)

September 30, 2016 and December 31, 2015

	2016	2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 85	\$ 36
Available-for-sale investment in Capital Power (note 4)	127	-
Trade and other receivables	348	620
Inventories	15	15
	<u>575</u>	<u>671</u>
Non-current assets:		
Finance lease receivables	1	1
Other financial assets	280	316
Deferred tax assets	79	77
Available-for-sale investment in Capital Power (note 4)	-	167
Property, plant and equipment	4,839	4,568
Intangible assets and goodwill	290	288
	<u>5,489</u>	<u>5,417</u>
TOTAL ASSETS	\$ 6,064	\$ 6,088
LIABILITIES AND EQUITY		
Current liabilities:		
Trade and other payables	\$ 270	\$ 259
Loans and borrowings	16	242
Deferred revenue	24	32
Provisions	20	37
Derivatives (note 5)	2	2
Other liabilities	25	27
	<u>357</u>	<u>599</u>
Non-current liabilities:		
Loans and borrowings	1,899	1,875
Deferred revenue	959	920
Deferred tax liabilities	44	35
Provisions	151	123
Derivatives (note 5)	17	10
Other liabilities	11	11
	<u>3,081</u>	<u>2,974</u>
Total liabilities	3,438	3,573
Equity attributable to the Owner of the Company:		
Share capital	24	24
Accumulated other comprehensive income	93	97
Retained earnings	2,509	2,394
Total equity	2,626	2,515
TOTAL LIABILITIES AND EQUITY	\$ 6,064	\$ 6,088

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
(In millions of Canadian dollars)

Nine months ended September 30, 2016 and 2015

	Accumulated other comprehensive income (loss)					Equity attributable to the Owner of the Company
	Share capital	Available-for-sale financial assets	Cumulative translation account	Employee benefits account	Retained earnings	
Equity at December 31, 2015	\$ 24	\$ 1	\$ 105	\$ (9)	\$ 2,394	\$ 2,515
Net income for the period	-	-	-	-	221	221
Other comprehensive income (loss):						
Fair value gain on available-for-sale investment in Capital Power	-	29	-	-	-	29
Fair value gain on available-for-sale investment in Capital Power reclassified to net income on sale of portion of investment	-	(12)	-	-	-	(12)
Unrealized loss on foreign currency translation	-	-	(21)	-	-	(21)
Total comprehensive income (loss)	-	17	(21)	-	221	217
Dividends	-	-	-	-	(106)	(106)
Equity at September 30, 2016	\$ 24	\$ 18	\$ 84	\$ (9)	\$ 2,509	\$ 2,626

	Accumulated other comprehensive income (loss)						Equity attributable to the Owner of the Company	
	Share capital	Cash flow hedges	Investment in Capital Power	Available-for-sale financial assets	Cumulative translation account	Employee benefits account		Retained earnings
Equity at December 31, 2014	\$ 24	\$ (5)	\$ 12	\$ 1	\$ 44	\$ (11)	\$ 2,275	\$ 2,340
Net income for the period	-	-	-	-	-	-	195	195
Other comprehensive income (loss):								
Equity share of other comprehensive income of Capital Power L.P.	-	-	7	-	-	-	-	7
Equity share of other comprehensive income of Capital Power L.P. realized in net income	-	5	(19)	-	-	-	-	(14)
Fair value loss on available-for-sale investment in Capital Power	-	-	-	(50)	-	-	-	(50)
Impairment of available-for-sale investment in Capital Power reclassified to net income	-	-	-	50	-	-	-	50
Unrealized gain on foreign currency translation	-	-	-	-	47	-	-	47
Total comprehensive income (loss)	-	5	(12)	-	47	-	195	235
Dividends	-	-	-	-	-	-	(106)	(106)
Equity at September 30, 2015	\$ 24	\$ -	\$ -	\$ 1	\$ 91	\$ (11)	\$ 2,364	\$ 2,469

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

EPCOR UTILITIES INC.

Condensed Consolidated Interim Statements of Cash Flows
(In millions of Canadian dollars)

Nine months ended September 30, 2016 and 2015

	2016	2015
Cash flows from (used in) operating activities:		
Net income for the periods	\$ 221	\$ 195
Reconciliation of net income for the year to cash from (used in) operating activities:		
Interest paid	(82)	(84)
Finance expenses	90	88
Income taxes recovered	1	-
Income tax expense	14	9
Depreciation and amortization	132	126
Change in employee benefits provisions	(17)	(20)
Contributions received	21	27
Deferred revenue recognized	(28)	(18)
Fair value change on derivative instruments	(2)	(2)
Dividend income from available-for-sale investment in Capital Power	(9)	(6)
Fair value gain on available-for-sale investment in Capital Power reclassified from other comprehensive income on sale of portion of investment	(12)	-
Equity share of income from Capital Power L.P.	-	(12)
Gains on investment in Capital Power L.P., net of impairment	-	(3)
Funds from operations	329	300
Change in non-cash operating working capital	37	4
Net cash flows from operating activities	366	304
Cash flows from (used in) investing activities:		
Acquisition or construction of property, plant and equipment and other assets ¹	(341)	(326)
Business acquisitions (note 6)	(51)	-
Proceeds on disposal of property, plant and equipment	18	4
Change in non-cash investing working capital	21	24
Net payments received (advances) on finance lease receivables and other financial assets	251	(36)
Payment of Gold Bar transfer fees	-	(1)
Proceeds from sale of a portion of available-for-sale investment in Capital Power	69	-
Proceeds from sale of a portion of investment in Capital Power L.P.	-	216
Distributions received from Capital Power	10	16
Net cash flows used in investing activities	(23)	(103)
Cash flows used in financing activities:		
Net repayment of short-term loans and borrowings	(98)	(88)
Proceeds from issuance of long-term loans and borrowings	50	-
Repayment of long-term loans and borrowings	(138)	(7)
Provisions	(2)	(3)
Dividends paid	(106)	(106)
Net cash flows used in financing activities	(294)	(204)
Increase (decrease) in cash and cash equivalents	49	(3)
Cash and cash equivalents, beginning of periods	36	37
Cash and cash equivalents, end of periods	\$ 85	\$ 34

1 Interest payment of \$3 million (2015 – \$5 million) is included in acquisition or construction of property, plant and equipment and other assets.

EPCOR UTILITIES INC.

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

September 30, 2016

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, 2015, which have been prepared in accordance with International Financial Reporting Standards

These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on November 4, 2016.

(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, derivative financial instruments and contingent liabilities, which are measured at fair value.

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, 2016 that did not have a significant impact on these financial statements.

4. Available-for-sale investment in Capital Power

On December 31, 2015, the Company held 9,391,000 common shares of Capital Power Corporation (Capital Power) which represented approximately 9% of the issued and outstanding common shares of Capital Power.

During the quarter ended September 30, 2016, the Company sold 3,239,786 common shares of Capital Power for net proceeds of \$69 million. The Company also reclassified gains of \$12 million to net income, representing the realized portion of fair value gains on available-for-sale investment in Capital Power previously recognized in other comprehensive income. At September 30, 2016, the Company owned 6,151,214 common shares of Capital Power representing approximately 6% of issued and outstanding common shares of Capital Power.

The common shares of Capital Power are listed on the Toronto Stock Exchange under the symbol CPX. At market close on September 30, 2016, the quoted market price of the common shares of Capital Power was \$20.62 per share.

Subject to market conditions and liquidity requirements, the Company intends to dispose of all or a substantial portion of its remaining investment in Capital Power. Accordingly, the Company has reclassified the available-for-sale investment in Capital Power as a current asset.

EPCOR UTILITIES INC.

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September 30, 2016

5. Derivatives

	September 30, 2016	December 31, 2015
Financial electricity purchase contracts	\$ -	\$ 2
Interest rate swaps	19	10
	<u>\$ 19</u>	<u>\$ 12</u>
Current	\$ 2	\$ 2
Non-current	17	10
	<u>\$ 19</u>	<u>\$ 12</u>

Financial electricity purchase contracts

The forward contracts used to mitigate electricity price risk consist of the following:

	September 30, 2016	December 31, 2015
Derivative instruments liabilities		
Fair value	\$ 4	\$ 9
Cash paid to counterparty	(4)	(7)
Net fair value	<u>\$ -</u>	<u>\$ 2</u>

6. Business Acquisitions

Blue Water Pipeline Project

On August 19, 2016, the Company completed the acquisition of the assets of Blue Water Project 130 L.P. (Blue Water) and Cross County Water Supply Corporation (CCWSC) through its wholly owned U.S. subsidiaries EPCOR 130 Project Inc. and 130 Regional Water Supply Corporation respectively for total consideration of \$82 million (US\$64 million).

The assets acquired from Blue Water and CCWSC include an 85 kilometer (53 mile) water supply pipeline, near Austin, Texas, U.S., with designed capacity of nearly 18 million gallons per day along with groundwater well production systems and long term wholesale water supply agreements.

The purchase price was allocated to the assets acquired and liabilities assumed based on their preliminary estimated fair values on the date of acquisition, in Canadian dollars as follows:

Fair value of net assets acquired:		
Intangible assets	\$	13
Goodwill		2
Property, plant and equipment		68
Deferred revenue		(1)
Net assets acquired at fair value	<u>\$</u>	<u>82</u>
Consideration:		
Cash	\$	48
Contingent consideration		34
Total consideration	<u>\$</u>	<u>82</u>

To fund the acquisition, the Company issued US\$40 million private-debt notes. The U.S. dollar denominated private-debt notes were issued with a term-to-maturity of 25 years and three months and an interest rate of 3.63% per annum.

The intangible assets of \$13 million consist of the right to receive groundwater up to the maximum capacity of the pipeline for a period of at least 99 years.

The goodwill recognized at fair value of \$2 million includes the value of the expected benefits to the Company by providing

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September 30, 2016

a commercial platform to develop other similar projects and future cost synergies which may result from the Company's expanded operations in the State of Texas, U.S. The goodwill will be deductible for income tax purposes.

Contingent consideration with a fair value of \$34 million was recognized at the date of acquisition. The contingent consideration consists of the Company's commitment to pay Blue Water (i) a fee based on the "take or pay" capacity of new long term contracts for supply of water with a cap of US\$32 million and (ii) US\$2 million on execution of certain pending agreements with third parties, being facilitated by Blue Water. The liability for contingent consideration has been classified under provisions within the condensed consolidated interim statements of financial position.

The transaction has been accounted for using the acquisition method in conformity with IFRS 3 Business Combinations with the results of operations included in the condensed consolidated interim financial statements from the date of acquisition. Total revenue and net income included in the condensed consolidated interim statements of income and loss since the date of acquisition to September 30, 2016 was insignificant. The condensed consolidated interim statements of income and loss up to September 30, 2016 would have included estimated revenue and net income of \$3 million and nil respectively had the acquisition of assets occurred on January 1, 2016.

Significant judgment was applied in the determination of the fair value of the assets acquired and liabilities assumed, the allocation of the purchase price to those assets and liabilities and the determination of goodwill and contingent consideration. The fair value was estimated by applying standard valuation techniques. The fair value measurement is based on significant inputs which are not observable in the market. The key assumptions included the discount rate, future growth rates and expected execution of new contracts for the supply of water. The allocation of the purchase price was internally determined based on the relative fair values of the assets and liabilities. Goodwill was estimated based on the applicable incremental benefits of the acquisition. The fair value of contingent consideration was based on management's expectation of new long-term water supply customers and the execution of pending agreements. The expected payments to Blue Water were discounted to present value.

The fair value estimates of the assets acquired and liabilities assumed are preliminary and will be finalized upon completion of review by management. Such review could result in material adjustments to the fair value purchase price allocation.

Willow Valley Water Company

On May 9, 2016, the Company completed the acquisition of the regulated water utility assets of Willow Valley Water Company, providing water services in the Bullhead City area of Arizona, U.S., for cash consideration of \$3 million (US\$2 million).

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September 30, 2016

7. Financial instruments

Classification

The classification of the Company's financial instruments at September 30, 2016, and December 31, 2015, 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 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
Provisions					
Contingent liabilities			X		Level 3
Measured at amortized cost					
Cash and cash equivalents		X			Level 1
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

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) 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, 2016		December 31, 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Other financial assets (non-current)	\$ 280	\$ 309	\$ 316	\$ 330
Available-for-sale investment in Capital Power	127	127	167	167
Loans and borrowings				
Debentures and borrowings	2,001	2,479	2,198	2,554
Beneficial interest in sinking fund	(86)	(86)	(81)	(81)
Derivatives (note 5)	19	19	12	12
Provisions				
Contingent liabilities	35	35	-	-

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Notes to the Condensed Consolidated Interim Financial Statements
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September 30, 2016

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.

Other financial assets

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, 2016, and December 31, 2015. 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, 2016, and December 31, 2015.

Available-for-sale investment in Capital Power

The available-for-sale investment in Capital Power represents an investment in common shares of Capital Power. The fair value of the investment is based on the quoted price of common shares of Capital Power on the Toronto Stock Exchange at September 30, 2016, and December 31, 2015.

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, 2016, and December 31, 2015. 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 their fair value due to the short-term nature of these financial instruments.

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 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.

Contingent liabilities

The fair value of the Company's contingent liabilities is determined based on the expectation of the amounts and timing of payments which depend on future events the outcome of which are uncertain, discounted at risk adjusted discount rates. Any change in the timing or discount rate can have material impact on the fair value of contingent liabilities.

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(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

September 30, 2016

Timing of payments

If the timing of the payment is advanced by 2 years then the contingent liability will increase by \$4 million. Alternatively, if the timing of the payment is delayed by 2 years then the contingent liability will decrease by \$4 million.

Discount rate

A 50 basis point increase in discount rate will decrease the fair value of contingent liabilities by \$1 million whereas a 50 basis point decrease in discount rate will increase the fair value of contingent consideration by \$1 million.

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, distribution and sale 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 services 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 revenues on the long-term receivable from Capital Power. Corporate also holds the available-for-sale investment in Capital Power.

EPCOR UTILITIES INC.

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

September 30, 2016

Lines of business information

Three months ended September 30, 2016

	Water Services	Distribution & Transmission	Energy Services	Corporate	Intersegment Elimination	Consolidated
External revenues and other income	\$ 179	\$ 122	\$ 203	\$ 3	\$ -	\$ 507
Inter-segment revenue	-	45	3	-	(48)	-
Total revenues and other income	179	167	206	3	(48)	507
Energy purchases and system access fees	-	57	177	-	(42)	192
Other raw materials and operating charges	43	14	-	-	(2)	55
Staff costs and employee benefits expenses	31	22	7	9	(1)	68
Depreciation and amortization	25	20	2	3	-	50
Franchise fees and property taxes	7	18	-	-	-	25
Other administrative expenses	8	4	6	4	(3)	19
Operating expenses	114	135	192	16	(48)	409
Operating income (loss) before corporate charges	65	32	14	(13)	-	98
Corporate income (charges)	(7)	(7)	(3)	17	-	-
Operating income	58	25	11	4	-	98
Finance recoveries (expenses)	(24)	(13)	-	10	-	(27)
Dividend income from available-for- sale investment in Capital Power	-	-	-	2	-	2
Fair value gain on available-for-sale investment in Capital Power reclassified from other comprehensive income on sale of portion investment	-	-	-	12	-	12
Income tax expense	(7)	-	-	(2)	-	(9)
Net income	\$ 27	\$ 12	\$ 11	\$ 26	\$ -	\$ 76
Capital additions	\$ 57	\$ 71	\$ -	\$ 3	\$ -	\$ 131

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(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

September 30, 2016

Three months ended September 30, 2015							
	Water Services	Distribution & Transmission	Energy Services	Corporate	Intersegment Elimination	Consolidated	
External revenues and other income	\$ 191	\$ 103	\$ 217	\$ 6	\$ -	\$ 517	
Inter-segment revenue	-	45	2	-	(47)	-	
Total revenues and other income	191	148	219	6	(47)	517	
Energy purchases and system access fees	-	48	231	-	(42)	237	
Other raw materials and operating charges	56	13	-	-	(3)	66	
Staff costs and employee benefits expenses	30	22	7	8	-	67	
Depreciation and amortization	21	17	2	3	-	43	
Franchise fees and property taxes	6	18	-	-	-	24	
Other administrative expenses (recovery)	9	4	6	(1)	(2)	16	
Operating expenses	122	122	246	10	(47)	453	
Operating income (loss) before corporate charges	69	26	(27)	(4)	-	64	
Corporate income (charges)	(6)	(6)	(2)	14	-	-	
Operating income (loss)	63	20	(29)	10	-	64	
Finance recoveries (expenses)	(24)	(11)	-	5	-	(30)	
Dividend income from available-for- sale investment in Capital Power	-	-	-	3	-	3	
Loss on investment in Capital Power L.P., net of impairment	-	-	-	(50)	-	(50)	
Income tax recovery (expense)	(6)	-	-	6	-	-	
Net income (loss)	\$ 33	\$ 9	\$ (29)	\$ (26)	\$ -	\$ (13)	
Capital additions	\$ 69	\$ 62	\$ 1	\$ 3	\$ -	\$ 135	

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

September 30, 2016

Nine months ended September 30, 2016							
	Water Services	Distribution & Transmission	Energy Services	Corporate	Intersegment Elimination	Consolidated	
External revenues and other income	\$ 504	\$ 351	\$ 603	\$ 11	\$ -	\$ 1,469	
Inter-segment revenue	-	136	8	-	(144)	-	
Total revenues and other income	504	487	611	11	(144)	1,469	
Energy purchases and system access fees	-	156	523	-	(128)	551	
Other raw materials and operating charges	115	35	-	1	(6)	145	
Staff costs and employee benefits expenses	97	64	21	28	(2)	208	
Depreciation and amortization	62	56	5	9	-	132	
Franchise fees and property taxes	21	53	-	-	-	74	
Other administrative expenses	24	12	19	8	(8)	55	
Operating expenses	319	376	568	46	(144)	1,165	
Operating income (loss) before corporate charges	185	111	43	(35)	-	304	
Corporate income (charges)	(21)	(22)	(7)	50	-	-	
Operating income	164	89	36	15	-	304	
Finance recoveries (expenses)	(71)	(38)	(2)	21	-	(90)	
Dividend income from available-for- sale investment in Capital Power	-	-	-	9	-	9	
Fair value gain on available-for-sale investment in Capital Power reclassified from other comprehensive income on sale of portion investment	-	-	-	12	-	12	
Income tax recovery (expense)	(15)	-	-	1	-	(14)	
Net income	\$ 78	\$ 51	\$ 34	\$ 58	\$ -	\$ 221	
Capital additions	\$ 136	\$ 197	\$ 2	\$ 6	\$ -	\$ 341	

EPCOR UTILITIES INC.

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

September 30, 2016

Nine months ended September 30, 2015							
	Water Services	Distribution & Transmission	Energy Services	Corporate	Intersegment Elimination	Consolidated	
External revenues and other income	\$ 518	\$ 313	\$ 642	\$ 17	\$ -	\$ 1,490	
Inter-segment revenue	-	120	8	-	(128)	-	
Total revenues and other income	518	433	650	17	(128)	1,490	
Energy purchases and system access fees	-	137	566	-	(112)	591	
Other raw materials and operating charges	154	33	-	1	(7)	181	
Staff costs and employee benefits expenses	91	65	20	26	(1)	201	
Depreciation and amortization	62	49	5	10	-	126	
Franchise fees and property taxes	20	52	-	-	-	72	
Other administrative expenses (recovery)	26	13	18	(1)	(8)	48	
Operating expenses	353	349	609	36	(128)	1,219	
Operating income (loss) before corporate charges	165	84	41	(19)	-	271	
Corporate income (charges)	(18)	(19)	(7)	44	-	-	
Operating income	147	65	34	25	-	271	
Finance recoveries (expenses)	(67)	(35)	(2)	16	-	(88)	
Dividend income from available-for- sale investment in Capital Power	-	-	-	6	-	6	
Equity share of income of Capital Power L.P.	-	-	-	12	-	12	
Gains on investment in Capital Power L.P., net of impairment	-	-	-	3	-	3	
Income tax recovery (expense)	(10)	-	-	1	-	(9)	
Net income	\$ 70	\$ 30	\$ 32	\$ 63	\$ -	\$ 195	
Capital additions	\$ 153	\$ 165	\$ 1	\$ 7	\$ -	\$ 326	

The Company's assets and liabilities by lines of business at September 30, 2016, and December 31, 2015, are summarized as follows:

September 30, 2016							
	Water Services	Distribution & Transmission	Energy Services	Corporate	Intersegment Elimination	Consolidated	
Total assets	\$ 3,398	\$ 2,036	\$ 140	\$ 3,047	\$ (2,557)	\$ 6,064	
Total liabilities	2,628	1,351	94	1,922	(2,557)	3,438	

December 31, 2015							
	Water Services	Distribution & Transmission	Energy Services	Corporate	Intersegment Elimination	Consolidated	
Total assets	\$ 3,375	\$ 1,907	\$ 175	\$ 3,270	\$ (2,639)	\$ 6,088	
Total liabilities	2,682	1,273	160	2,097	(2,639)	3,573	

EPCOR UTILITIES INC.

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

September 30, 2016

Geographic information

	Three months ended September 30, 2016				Nine months ended September 30, 2016			
	Canada	U.S.	Inter-segment eliminations	Total	Canada	U.S.	Inter-segment Eliminations	Total
External revenues and other income	\$ 447	\$ 60	\$ -	\$ 507	\$ 1,309	\$ 160	\$ -	\$1,469
Inter-segment revenues	48	-	(48)	-	144	-	(144)	-
Total revenues and other income	\$ 495	\$ 60	\$ (48)	\$ 507	\$ 1,453	\$ 160	\$ (144)	\$1,469

	Three months ended September 30, 2015				Nine months ended September 30, 2015			
	Canada	U.S.	Inter-segment eliminations	Total	Canada	U.S.	Inter-segment Eliminations	Total
External revenues and other income	\$ 460	\$ 57	\$ -	\$ 517	\$ 1,346	\$ 144	\$ -	\$1,490
Inter-segment revenues	47	-	(47)	-	128	-	(128)	-
Total revenues and other income	\$ 507	\$ 57	\$ (47)	\$ 517	\$ 1,474	\$ 144	\$ (128)	\$1,490

Non-current assets

	September 30, 2016	December 31, 2015
Canada	\$ 4,379	\$ 4,362
U.S.	1,110	1,055
	\$ 5,489	\$ 5,417

9. Reclassifications

The comparative information in these financial statements have been reclassified, where applicable, to conform to current period presentation.