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EPCOR Announces Quarterly Results

Edmonton - EPCOR Utilities Inc. (EPCOR) today released its quarterly results for the period ended March 31, 2009.

"EPCOR reported solid first quarter operating results in both our power and water operations," said EPCOR President & CEO Don Lowry. "The availability and performance of our Genesee power plants was above target and higher than last year, and we continue to execute our capital plan, including construction of power generation at Keephills 3 and Clover Bar Energy Centre, and water and wastewater treatment facilities at the Suncor Voyageur site. A major step in building our water and wastewater treatment expertise was completed this quarter with the transfer of the Edmonton Gold Bar Wastewater Treatment Plant to EPCOR. As a result, we are now better able to develop opportunities inside and outside of Edmonton."

Highlights of EPCOR's financial performance:

- Cash flow from operating activities for the three months ended March 31, 2009 was $147 million compared with $99 million for the corresponding period in the previous year.
- Net income was $104 million on revenues of $890 million for the three months ended March 31, 2009 compared with $68 million on revenues of $799 million for the corresponding period in the previous year.
- Other comprehensive income was $22 million for the three months ended March 31, 2009 compared with $23 million for the corresponding period in the previous year.
- Investment in capital projects for the three months ended March 31, 2009 was $136 million compared with $108 million for the corresponding period in the previous year.

Management's discussion and analysis (MD&A) of the quarterly results are shown below. The MD&A and the unaudited interim financial statements are available on EPCOR's website (www.epcor.ca) and will be available on SEDAR (www.sedar.com).

EPCOR's wholly-owned subsidiaries build, own and operate power plants, electrical transmission and distribution networks, water and wastewater treatment facilities and infrastructure in Canada and the United States. EPCOR, headquartered in Edmonton, Alberta, has been named one of Canada's Top 100 employers for nine consecutive years, and was selected one of Canada's 10 Most Earth-Friendly Employers. EPCOR's website is www.epcor.ca.

For more information, contact:

Media inquiries: Tim le Riche (780) 969-8238

Shareholder and analyst inquiries: Randy Mah (780) 412-4297 or toll free (866) 896-4636

EPCOR Utilities Inc.

Interim Management's Discussion and Analysis
March 31, 2009

This management's discussion and analysis (MD&A), dated May 7, 2009, should be read in conjunction with the unaudited interim consolidated financial statements of EPCOR Utilities Inc. and its subsidiaries for the three months ended March 31, 2009 and 2008, the audited consolidated financial statements and MD&A for the year ended December 31, 2008 and the cautionary statement regarding forward-looking information on page 21. In this MD&A, any reference to "the Company", "EPCOR", "we", "our" or "us", except where otherwise noted or the context otherwise indicates, means EPCOR Utilities Inc., together with its subsidiaries. Financial information in this MD&A is based on the unaudited interim consolidated financial statements, which were prepared in accordance with Canadian generally accepted accounting principles (GAAP), and is presented in Canadian dollars unless otherwise specified. In accordance with its terms of reference, the Audit Committee of the Company's Board of Directors reviews the contents of the MD&A and recommends its approval by the Board of Directors. The Board of Directors has approved this MD&A.

OVERVIEW

EPCOR is wholly-owned by The City of Edmonton (the City). EPCOR's results from operating activities for the first quarter were on plan as our power and water operations across the regions delivered good results. The availability of our Genesee plants was above target and higher than last year as they did not experience any major outages in the current quarter. The higher availability at Genesee 1 and 2 resulted in net availability incentive income for those units under the terms of the Genesee Power Purchase Arrangement (PPA). In January 2009, we sold another 10% interest in the Battle River PPA. The decrease in generation from the Battle River PPA and lower average Alberta spot power prices resulted in lower margins from Energy Services' Alberta electricity portfolio in the quarter compared with the first quarter of 2008. The impact was reduced by effective management of the trading portfolio. Our water and electric distribution and transmission businesses performed well without any significant operating issues arising during the quarter.

EPCOR Power L.P. (Power LP), a 30.6% subsidiary of EPCOR, contributed a net loss in the quarter primarily due to changes in the fair value of natural gas supply and foreign exchange contracts. Fair value changes can cause volatility in Power LP's earnings but are not representative of the underlying economic performance of Power LP's business. Operating income, excluding fair value changes, from Power LP's plants was $3 million lower in the first quarter of 2009 compared with the first quarter of 2008.

The economic and credit crises continued through the first quarter of 2009. This contributed to a $4 million fair value write-down of the notes which EPCOR received in exchange for its Canadian non-bank sponsored asset-backed commercial paper (ABCP). In addition, during this period of credit uncertainty we relied on our existing credit facilities and ability to issue commercial paper to fund our capital expenditures. Similarly, Power LP relied upon its credit facilities to finance capital expenditures during the period. Power LP's cash distribution for the first quarter of 2009 of $0.63 per unit did not change from recent quarters.

Progress continued on our capital expenditure program, particularly the Keephills 3 generation plant, two units at Clover Bar Energy Centre and Power LP's Southport, Roxboro and North Island plant enhancements. The Gold Bar Wastewater Treatment Plant (Gold Bar) assets and wastewater treatment professionals on staff were officially transferred from the City to EPCOR on March 31, 2009. EPCOR will not only benefit from future earnings from the facility, but is now better able to develop opportunities outside Edmonton with its combined water and wastewater treatment expertise. In addition, EPCOR signed an agreement with the Town of Banff to provide operation services for the town's wastewater treatment plant for the period from March 24, 2009 to June 30, 2011.

On March 26, 2009, the Government of Canada, under Natural Resources Canada, selected EPCOR, Enbridge Inc. and the Alberta Saline Aquifer Project (ASAP), acting in partnership, to receive funding under the ecoENERGY Technology Initiative for the Genesee post-combustion demonstration plant project. The project focuses on the development of amine scrubbing technology to remove carbon dioxide from the flue-gas leaving the stack of a coal-fired generation plant. The amount of funding that the EPCOR-Enbridge-ASAP partnership will receive will be finalized during the contribution agreement stage. EPCOR and Enbridge also submitted this project to the Alberta Government under the $2 billion Carbon Capture Storage funding program.

SIGNIFICANT EVENTS

Transfer of Gold Bar Wastewater Treatment Plant

On March 31, 2009, the City transferred its Gold Bar assets to EPCOR. Gold Bar handles wastewater treatment requirements for 700,000 residents of the City and has a current treatment capacity of 310 megalitres per day. The Edmonton City Council will continue to regulate wastewater treatment services and rates for the combined drainage utility, which includes the wastewater collection and transmission system owned by the City and the Gold Bar plant owned by EPCOR.

The assets were transferred from the City at their estimated carrying amounts which are expected to be finalized in the second quarter of 2009. The carrying amount of the Gold Bar plant assets at March 31, 2009 was estimated at $223 million which included $40 million of contributed assets on which EPCOR cannot earn a return, offset by $40 million of capital contributions. Under the transfer agreement with the City, EPCOR issued approximately $112 million of long-term debt to the City, bearing a weighted average interest rate of approximately 5.25%. EPCOR also agreed to pay a transfer fee of $75 million to the City in annual installments commencing in 2009 and ending in 2015 and the first installment of $17 million was paid on March 31, 2009. The remainder of the asset transfer, representing the difference between the carrying amount of the assets and the liabilities for the transfer fee and long-term debt, was reflected on the Company's consolidated balance sheet as a $36 million equity contribution from the City.

Sale of percentage interest in power syndicate agreement

On January 15, 2009, we sold a 10% interest in the Battle River Power Syndicate Agreement (PSA) for cash proceeds of $47 million resulting in a pre-tax gain of $30 million. The associated income taxes were $4 million of expense, and $5 million of refundable taxes which were charged to retained earnings. This sale was pursuant to the purchase and sale agreement entered into in June 2006 whereby EPCOR will sell its Battle River Power Purchase Arrangement (PPA) and related interest in the Battle River PSA to ENMAX Corporation over a four-year period ending in January 2010. An initial interest of 55% was sold for cash proceeds of $343 million on June 5, 2006 followed by sales of 10% interests on each of January 1, 2007 and January 15, 2008 for cash proceeds of $59 million and $53 million, respectively. The after-tax gain on the sale in the current quarter was $26 million compared with $30 million in the first quarter of 2008. The year-over-year decreases in proceeds and after-tax gain were due to the one year shorter term to maturity for the PPA.

Asset-backed commercial paper exchanged for notes

On January 21, 2009, the restructuring of ABCP took effect. Under the restructuring, the affected ABCP was exchanged for term floating-rate notes (notes), maturing no earlier than the scheduled termination dates of the underlying assets. The exchange was recorded at the estimated fair value of the notes on January 21, 2009. The key information on EPCOR's notes is as follows:

(i) EPCOR's allocation of notes under the restructuring was as follows:

Pool	Series	Rating	Face amount ($ millions)	
MAV2	Class A-1	AA	$ 47	67%
	Class A-2	AA	9	13%
	Class B	Unrated	2	2%
	Class C	Unrated	2	2%
MAV3	IA Tracking	Unrated	11	16%
			$ 71	100%

(ii) For the Master Asset Vehicle 2 (MAV2) pool notes, the underlying asset lives are anticipated to average nine years. The remaining notes come from Master Asset Vehicle 3 (MAV3) in the form of Ineligible Asset Tracking (IA Tracking) notes. These notes are expected to amortize over the lives of the underlying assets which have a weighted average life of approximately 18 years. In certain limited circumstances, the expected repayment dates could be longer than the expected asset lives.

(iii) ABCP investors, including EPCOR, were paid the accumulated accrued interest, net of ABCP restructuring costs, collateral requirements and other costs, on their existing ABCP from the date of the standstill in August 2007 to the date of the restructuring. During the first quarter of 2009, EPCOR received $2 million in respect of that interest.

At March 31, 2009, the Company held $38 million in notes, all of which were received in exchange for ABCP which was purchased during the third quarter of 2007 at an original cost of $71 million. As the notes are classified as held for trading financial assets, they are subject to ongoing fair value adjustments at each reporting date. At March 31, 2009, the fair value of the notes was estimated at $38 million compared with a fair value of $42 million for the ABCP at December 31, 2008. The $4 million decrease was primarily due to lower short-term and higher long-term market interest rates. In the first quarter of 2008, a $9 million reduction in fair value was recognized.

The estimate of fair value is subject to significant risks and uncertainties including the timing and amount of future cash payments, market liquidity, the quality and tenor of the assets and instruments underlying the notes, including the possibility of margin calls, and the future market for the notes. Accordingly, the fair value estimate of the notes may change materially.

CONSOLIDATED RESULTS OF OPERATIONS

Net income

(Unaudited, $ millions)	
Net income for the quarter ended March 31, 2008	**$ 68**
Unrealized fair value changes on derivative instruments and natural gas inventory held for trading, excluding Power LP fair value changes	33
Higher Genesee PPA availability incentive income	10
Maintenance expenses for Genesee 1 scheduled turnaround in 2008	8
Lower financing expenses, excluding Power LP financing expenses	7
Lower foreign exchange expense, excluding Power LP foreign exchange expense	6
Lower fair value reduction on notes exchanged for ABCP	5
Lower gain on sale of Battle River PSA	(4)
Higher administration expenses, excluding Power LP administration	(5)
Lower Alberta electricity margins	(5)
Lower income from Power LP	(19)
Increase in net income	36
Net income for the quarter ended March 31, 2009	**$ 104**

Net income was $104 million for the three months ended March 31, 2009, compared with $68 million for the corresponding period in 2008. The $36 million increase was primarily due to the net impact of the following:

- In the first quarter of 2009, the unrealized changes in the fair value of our financial contracts that were not designated as hedges for accounting purposes were favourable compared with the first quarter of 2008, as discussed under Energy Services later in this MD&A. This was partly offset by unfavourable unrealized fair value changes in our forward foreign exchange contracts compared with the corresponding period in the prior year, as discussed under Generation later in this MD&A.

- Availability incentive income was earned in the first quarter of 2009 under the terms of the Genesee 1 and 2 PPA compared with a net availability penalty in the corresponding period in 2008. The net penalty in 2008 was due to major scheduled turnaround work on Genesee 1.

- Maintenance expenses for Genesee 1 were lower due to the scheduled turnaround in the first quarter of 2008 whereas there were no outages in the first quarter of 2009.

- Financing expenses, excluding unrealized fair value adjustments and Power LP's financing expenses were lower in the first quarter of 2009 compared with the first quarter of 2008 primarily due to higher capitalized interest and collection of $2 million of interest related to the ABCP as described under Significant Events. Although the $400 million medium-term notes issue in April 2008 resulted in higher interest costs in the current quarter, they were more than offset by a higher amount of interest that was capitalized. The Company capitalizes borrowing costs as part of its cost of capital construction projects and in the first quarter of 2009, construction work in progress for Keephills 3 and the Clover Bar Energy Centre was higher compared with the corresponding period in 2008.

- In the first quarter of 2009, foreign exchange gains were realized on the settlement of forward foreign exchange contracts used to economically hedge the foreign exchange risk associated with anticipated purchases of equipment for generation capital projects. In the first quarter of 2008, foreign exchange losses were realized on these contracts.

- Administration expenses, excluding Power LP's administration expenses, were higher due to increased spending in the first quarter of 2009 on business development activities and on our Genesee Integrated Gasification and Combined Cycle and Carbon Capture Technology project.

- In the first quarter of 2009, margins for the procurement, marketing and sale of electricity in retail and wholesale markets in Alberta (Alberta electricity margins) were lower compared with the corresponding period of 2008 primarily due to the impact of lower Alberta spot power prices on our electricity portfolio. In addition, power generation was lower in the current quarter due to our reduced interest in the Battle River PSA.

- Net income from Power LP was lower in the first quarter of 2009 compared with the corresponding period in 2008 primarily due to unrealized changes in the fair value of natural gas supply contracts. Other contributing factors were lower plant operating margins, partly offset by a foreign exchange loss in the first quarter of 2008 on the translation of U.S. debt. These changes are further discussed under Generation in this MD&A.

Revenues

(Unaudited, $ millions)	
Revenues for the quarter ended March 31, 2008	**$ 799**
Unrealized fair value changes on derivative instruments and natural gas inventory held for trading, excluding Power LP fair value changes	89
Higher Genesee PPA availability incentive revenues	15
Higher Water Services' commercial and transportation services revenues	8
Higher Power LP revenues	7
Higher electricity trading activities in Ontario and the north eastern U.S.	5
Lower trading activities in the western U.S.	(18)
Lower natural gas trading activities	(24)
Other	9
Increase in revenues	91
Revenues for the quarter ended March 31, 2009	**$ 890**

Consolidated revenues were higher for the three months ended March 31, 2009 compared with the corresponding period in 2008 primarily due to the net impact of the following:

- Unrealized fair value gains were recognized in the first quarter of 2009 due to decreasing forward Alberta power prices applied to our Alberta financial sales contracts that were not designated as hedges for accounting purposes. In the first quarter of 2008, unrealized fair value losses were recognized on these financial sales contracts due to increasing forward Alberta power prices.

- Power LP revenues were higher primarily due to the Morris facility which was acquired in the fourth quarter of 2008, partly offset by lower revenues from other U.S. plants.

- Water Services' commercial and transportation services revenues were higher primarily due to the water and wastewater treatment facilities construction project for Suncor Energy Inc., which commenced in the second quarter of 2008.

Capital spending and investment

(Unaudited, $ millions) Three months ended March 31	2009	2008
Generation	$ 104	$ 77
Distribution and Transmission	17	21
Energy Services	4	1
Water Services	9	7
Corporate – other	2	2
	$ 136	**$ 108**

Capital expenditures for property, plant and equipment were higher for the three months ended March 31, 2009 compared with the corresponding period in 2008 primarily due to increased construction activity on the Keephills 3 and Clover Bar Energy Centre generation projects and Power LP's Southport, Roxboro and North Island plant enhancements. These increases were partly offset by capital expenditures in 2008 for the Downtown Edmonton Supply and Substation project in Distribution and Transmission which was completed in the third quarter of 2008.

Despite the current economic conditions, major project construction costs remain under pressure as project work packages, including material and labour components, are finalized in the normal course of construction.

Keephills 3 is a 495-MW supercritical coal-fired generation plant which is a joint development of EPCOR and TransAlta Corporation at TransAlta's Keephills site. We continue to manage the schedule and costs of our Keephills project with it on track to achieve commercial operations by the end of the first quarter of 2011.

The Clover Bar Energy Centre will be composed of three natural gas-fired peaking power generation units. The first unit was commissioned in the first quarter of 2008, the second unit is expected to be commissioned in the second quarter of 2009 and construction of the third unit will continue through to 2010.

Power LP's capital expenditures were $17 million in the three months ended March 31, 2009 compared with $3 million in the corresponding period in 2008. The capital expenditures in the current quarter included enhancements to the Southport and Roxboro facilities to reduce their environmental emissions and improve their economic performance. Power LP is also upgrading the natural gas turbine at the North Island facility to improve the plant's efficiency.

SEGMENT RESULTS

Generation

Three months ended March 31	2009	2008
Generation results (including intersegment transactions)		
(Unaudited, $ millions)		
Revenues	$ 239	$ 221
Expenses	233	132
Operating income	**$ 6**	**$ 89**

(Unaudited, $ millions)	
Operating income for the quarter ended March 31, 2008	**$ 89**
Higher Genesee PPA availability incentive income	15
Maintenance expenses for Genesee 1 scheduled turnaround in 2008	11
Lower realized foreign exchange expense	5
Unrealized fair value changes on derivative instruments	(6)
Lower Power LP operating income	(100)
Other	(8)
Decrease in operating income	(83)
Operating income for the quarter ended March 31, 2009	**$ 6**

Generation's operating income for the three months ended March 31, 2009 decreased $83 million compared with the corresponding period in 2008. Further information on the year-over-year changes is as follows:

- Generation's revenues and operating income increased $15 million due to availability incentive income earned under the terms of the Genesee 1 and 2 PPA in the first quarter of 2009 compared with a net availability penalty in the corresponding period in 2008. There was a scheduled turnaround for required maintenance at Genesee 1 in the first quarter of 2008 whereas plant availability at Genesee 1 and 2 was above plan in the first quarter of 2009.

- Foreign exchange gains were realized in the first quarter of 2009 on the settlement of forward foreign exchange contracts used to economically hedge the foreign exchange risk associated with anticipated purchases of equipment for Clover Bar Energy Centre and Keephills 3 whereas losses were realized on these contracts in the corresponding period in 2008.

- In the first quarter of 2009, Generation had a lower volume (in terms of notional amounts) of forward foreign exchange contracts for U.S. dollars compared with the corresponding period in 2008 as the amount of anticipated U.S. dollar equipment purchases for the Keephills 3 and Clover Bar Energy Centre construction projects was lower. The unrealized changes in the fair value of these contracts increased expenses and decreased operating income by $6 million primarily due to the unrealized fair value gains recognized in the first quarter of 2008.

- Power LP contributed an operating loss of $36 million in the first quarter of 2009 compared with $64 million of operating income in the first quarter of 2008. This $100 million decrease was primarily due to $102 million of unrealized changes in the fair value of natural gas supply contracts and a $5 million decrease in plant operating margins, partly offset by a $13 million foreign exchange loss in the first quarter of 2008. Plant operating margins decreased due to higher planned maintenance costs and lower generation at the North Carolina facilities, lower generation at the Naval Station facilities in California due to planned outages for inspection and maintenance work, and higher waste heat optimization costs at the Ontario facilities.

Power LP’s revenues increased $7 million primarily due to current quarter sales at the Morris facility, which was acquired in the fourth quarter of 2008. This increase was partly offset by a decrease in revenues from other U.S. plants primarily due to lower electricity prices for the California plants which, under the terms of the PPA, were driven by lower natural gas prices. In addition, generation was lower at the Naval Station and North Carolina plants due to planned outages.

Power LP’s expenses increased $107 million primarily due to an unrealized loss of $34 million in the first quarter of 2009 compared with an unrealized gain of $68 million in the first quarter of 2008 for changes in the fair value of its natural gas supply contracts which were included in fuel expense. These unrealized fair value changes were due to decreases in the forward market prices for natural gas in the first quarter of 2009 compared with increases in the first quarter of 2008. Operating expenses for the Morris facility also contributed to the increase in Power LP’s expenses. Offsetting these increases was the $13 million foreign exchange loss recognized in net income in the first quarter of 2008 on the translation of U.S. debt due to a weakening of the Canadian dollar relative to the U.S. dollar. In 2009, a foreign exchange gain on the translation of Power LP’s U.S. operations was recognized in other comprehensive income. This change in accounting treatment for foreign currency translation gains and losses resulted from Power LP’s re-evaluation of the functional currency of its U.S. subsidiaries in the fourth quarter of 2008 whereby it determined the functional currency to be U.S. dollars rather than Canadian dollars.

Distribution and Transmission

Three months ended March 31	2009	2008
Distribution and Transmission results (including intersegment transactions)		
(Unaudited, $ millions)		
Revenues	$ 61	$ 59
Expenses	49	47
Operating income	**$ 12**	**$ 12**

There were no material changes in Distribution and Transmission revenue, expenses and operating income, for the current quarter compared with the corresponding period in the prior year.

Energy Services

Three months ended March 31	2009	2008
Energy Services results (including intersegment transactions)		
(Unaudited, $ millions)		
Revenues	$ 589	$ 528
Expenses	518	514
Operating income	**$ 71**	**$ 14**

(Unaudited, $ millions)	
Operating income for the quarter ended March 31, 2008	**$ 14**
Unrealized fair value changes in derivative instruments and natural gas inventory	55
Lower Alberta electricity margins	(6)
Other	8
Increase in operating income	57
Operating income for the quarter ended March 31, 2009	**$ 71**

Energy Services' operating income increased $57 million for the three months ended March 31, 2009 compared with the corresponding period in 2008. Additional information on the year-over-year changes is as follows:

- The unrealized fair value changes relate primarily to a net short position in both periods for financial electricity contracts that were not designated as hedges for accounting purposes. In the first quarter of 2009, forward Alberta power prices decreased which increased the fair value of the contracts whereas in the first quarter of 2008 forward Alberta power prices increased which reduced the fair value of the contracts. These unrealized fair value changes increased energy revenues by $89 million and energy purchases by $34 million compared with the first quarter of 2008.

- Alberta electricity margins were lower in the first quarter of 2009 compared with the corresponding period of 2008 primarily due to the impact of lower Alberta power prices on our Alberta electricity portfolio. The Alberta electricity portfolio was in a net long position for both periods as we had more physical supply from our generating stations and interests in the Battle River and Sundance PPAs (acquired PPAs) than we had contracted to sell. In addition, power generation was lower in the current quarter due to our reduced interest in the Battle River PSA.

- Energy Services' revenues and expenses, excluding unrealized fair value changes, decreased $28 million and $30 million respectively, compared with the corresponding period in 2008. The decreases were primarily due to lower speculative natural gas trading activity, lower natural gas consumption due to fewer wholesale and merchant customers, and decreased trading activity in the western U.S., all of which had minimal impact on energy margins. Our reduced interest in the Battle River PSA also contributed to lower revenues and expenses. These decreases were partly offset by higher Alberta electricity revenues and purchases for the Regulated Rate Tariff (RRT) business and higher trading activity in Ontario and the north eastern U.S. with minimal impact on the respective energy margins.

Water Services

Three months ended March 31	2009	2008
Water Services results (including intersegment transactions)		
(Unaudited, $ millions)		
Revenues	$ 67	$ 58
Expenses	57	47
Operating income	**$ 10**	**$ 11**

Water Services' revenues from water sales were $3 million higher in the three months ended March 31, 2009 compared with the corresponding period in 2008 primarily due to increased rates effective April 1, 2008 under Water Services' Performance Based Rate structure as approved by the regulator, The City of Edmonton.

Transportation and other commercial services revenue and expenses increased in the three months ended March 31, 2009 compared with the corresponding period in 2008 primarily due to the water and wastewater treatment facilities construction project for Suncor Energy Inc. Water Services' expenses also increased due to a higher incidence and cost of water distribution main breaks, increased business development activity and costs associated with executing the Gold Bar transfer in the current quarter.

CONSOLIDATED BALANCE SHEETS

($ millions)	March 31, 2009	December 31, 2008	Increase (decrease)	Explanation
Cash and cash equivalents	$ 124	$ 111	$ 13	Refer to liquidity and capital resources section.
Accounts receivable (including income taxes recoverable)	453	509	(56)	Lower receivables from RRT customers due to lower rates and consumption in March 2009 compared with December 2008. Lower receivables from commercial and industrial customers due to fewer customers. Lower receivables from the Alberta Electric System Operator and customers subject to pool price flow-through pricing due to lower spot prices in March 2009 compared with December 2008.
Derivative instruments assets (current)	142	130	12	Increase in fair value of power derivative sell contracts, partly offset by decrease in fair value of Power LP's natural gas and forward foreign exchange contracts.
Other current assets	89	96	(7)	
Property, plant and equipment	4,958	4,639	319	Addition of 2009 capital expenditures and Gold Bar assets partly offset by depreciation and amortization expense.
Power purchase arrangements (PPAs)	549	550	(1)	
Contract and customer rights and other intangible assets	297	296	1	
Derivative instruments assets (non-current)	87	75	12	Increase in fair value of power derivative sell contracts, partly offset by decrease in fair value of Power LP's natural gas and forward foreign exchange contracts.
Future income tax assets (non-current)	101	103	(2)	
Goodwill	163	161	2	
Other assets	228	235	(7)	
Assets held for sale	25	43	(18)	Sale of 10% interest in Battle River PSA.

($ millions)	March 31, 2009	December 31, 2008	Increase (decrease)	Explanation
Short-term debt	$ 384	$ 140	$ 244	Issue of commercial paper, partly offset by repayment of short-term bankers' acceptances in the first quarter of 2009.
Accounts payable and accrued liabilities	508	587	(79)	Lower accrued payables to the Alberta Electric System Operator due to lower spot prices in March, 2009 compared with December, 2008, lower current liabilities for Generation and Water Services capital projects and timing of fuel supply payments for U.S. Operations, partly offset by the current portion of the transfer fee payable to the City for the Gold Bar asset transfer.
Derivative instruments liabilities (current)	155	131	24	Increased liability associated with the fair value of power derivative buy contracts and Power LP's natural gas supply and forward foreign exchange contracts.
Other current liabilities	84	58	26	Increased future income tax liabilities.
Long-term debt (including current portion)	2,662	2,728	(66)	Repayment of bankers' acceptances issued under the syndicated bank credit facility and ongoing debt repayments, partly offset by the issue of long-term debt to the City for the Gold Bar asset transfer.
Derivative instruments liabilities (non-current)	101	110	(9)	Decreased liability associated with the fair value of power derivative sell contracts, partly offset by increased liability associated with Power LP's natural gas supply and forward foreign exchange contracts.
Other non-current liabilities	168	125	43	Reflects the non-current portion of the transfer fee owing to the City for the Gold Bar asset transfer.
Future income tax liabilities (non-current)	93	100	(7)	
Non-controlling interests	507	540	(33)	Non-controlling interests' share of Power LP distributions and net loss, partly offset by non-controlling interests' share of Power LP's other comprehensive income.
Shareholder's equity	2,554	2,429	125	Net income, other comprehensive income and the Gold Bar asset capital contribution, partly offset by common share dividends and refundable income taxes.

LIQUIDITY AND CAPITAL RESOURCES

Cash inflows (outflows)

($ millions)	Three months ended March 31 2009	2008	Increase (decrease)	Explanation
Operating	$ 147	$ 99	$ 48	Reflects changes in non-cash working capital due to the timing of receipts and payments, primarily the payment in 2008 of income taxes related to the 2006 gain on sale of the Battle River PSA and receipt of Genesee PPA availability incentive income in the first quarter of 2009 compared with payment of availability penalties in the first quarter of 2008.
Investing	(128)	(76)	(52)	Reflects payment of a Gold Bar transfer fee instalment and higher capital expenditures, primarily at the Roxboro, Keephills 3, Clover Bar Energy Centre and North Island facilities in the first quarter of 2009, partly offset by spending on the Downtown Edmonton Supply and Substation project in the first quarter of 2008.
Financing	(11)	2	(13)	Reflects higher repayments of long-term debt in the first quarter of 2009 and issue of $200 million of medium-term note debentures in the first quarter of 2008, partly offset by the proceeds from the issue of commercial paper.

The Company's cash from operating activities increased $48 million in the three months ended March 31, 2009, compared with the corresponding period in 2008. Over the next few quarters, we anticipate working capital requirements to fluctuate due to normal seasonal changes in operating cash flows and the effects of plant outages, scheduled or otherwise. No significant increases in working capital requirements are expected over the long term for existing operations. The Company plans to finance its working capital requirements with existing credit facilities and the issuance of commercial paper. At March 31, 2009, the Company had undrawn bank credit facilities of $1,868 million, of which $376 million is committed for at least two years.

Committed bank lines of credit are also used to provide letters of credit. At March 31, 2009, the Company had letters of credit of $234 million (December 31, 2008 - $253 million) outstanding to meet the credit requirements of energy market participants and conditions of certain service agreements, and to satisfy legislated reclamation requirements. The committed bank lines also indirectly back the Company's commercial paper program which has an authorized capacity of $500 million, of which $384 million was outstanding at March 31, 2009 (December 31, 2008 - $113 million).

The capital requirements to finance the Company's capital projects are expected to continue at the current pace until at least the end of 2010. In 2009, the projects include Keephills 3, Clover Bar Energy Centre and Power LP's Southport, Roxboro and North Island facility enhancements. This capital spending is expected to be financed with existing credit facilities, the issuance of commercial paper or medium-term notes.

The Company has a Canadian shelf prospectus under which it may raise up to $1 billion of debt with maturities of not less than one year. The shelf prospectus expires in November 2009. At March 31, 2009, the available amount remaining under this shelf prospectus was $400 million. In addition, Power LP has a Canadian universal shelf prospectus which expires in August 2010 under which Power LP may raise up to $1 billion in partnership units or debt with a maximum debt amount of $600 million. At March 31, 2009, Power LP had not drawn on the shelf prospectus.

Effects of economic downturn and market uncertainty

Instability in the Canadian and U.S. financial markets continued through the first quarter of 2009. We secured financing at an interest rate of 0.98% through the issue of commercial paper to fund our capital expenditures and working capital requirements and we plan to continue using commercial paper, existing credit facilities or medium-term notes for our financing requirements for the balance of the year. Two of the Company's bilateral credit facilities totaling $200 million expire in the second quarter of 2009 and we are currently negotiating their renewal. The unstable credit and economic environment may adversely affect the interest rates at which we are able to draw on these facilities as they are renewed or extended. To date, indications are that we will be able to renew these facilities and draws under these facilities will be at increased effective interest rates.

The market price of Power LP's partnership units declined and remained relatively low in the first quarter of 2009. Accordingly, under these conditions Power LP does not expect to rely on public equity markets to finance asset acquisitions.

Power market liquidity continues to be a concern as energy commodity trading in our markets continues to be less active. However, due to the strength of our trading counterparties, we continue to be able to effectively manage our portfolio.

If the world-wide credit and economic crises continue into the longer term, particularly as they relate to Canada and the U.S., they may adversely affect the Company's ability to renew credit facilities, arrange long-term financing for its capital expenditure programs and acquisitions, or refinance outstanding indebtedness when it matures. If market conditions worsen, the Company may suffer a credit rating downgrade and be unable to renew its bilateral credit facilities or access the public debt markets. Although we continue to believe that these circumstances have a low probability of occurring, we are monitoring EPCOR's capital programs and operating costs to minimize the risk that the Company becomes short of cash or unable to honor its obligations. Some of these considerations include the preservation of capital through capital expenditure reduction or deferral, operating cost reductions and sale of non-strategic assets.

CONTRACTUAL OBLIGATIONS

On March 31, 2009, EPCOR issued $112 million of long-term debt to the City and incurred a $75 million transfer fee payable to the City, for the Gold Bar asset transfer as described under Significant Events. The long-term debt bears interest at a weighted average interest rate of approximately 5.25% and matures over the period from 2010 to 2033 as follows, subject to adjustments to be finalized in the second quarter of 2009:

(Unaudited, $ millions)	
2009	$ 6
2010	6
2011	6
2012	5
2013 to 2033	89
Total	$ 112

The transfer fee is payable in annual installments over the period from 2009 to 2015 and is included in the table of contractual obligations in EPCOR's 2008 annual MD&A. The first instalment of $17 million was paid on March 31, 2009.

During the quarter ended March 31, 2009, the Company financed its capital expenditures and working capital requirements through its credit facilities and commercial paper program. The Company's outstanding commercial paper, and loans and bankers' acceptances issued under credit facilities, increased $61 million in the quarter, including $32 million relating to Power LP debt issues.

There have been no other material changes to the Company's purchase obligations, including payments for the next five years and thereafter, during the first quarter. For further information on the Company's contractual obligations, refer to the 2008 annual MD&A.

CHANGES IN ACCOUNTING STANDARDS

Accounting changes for 2009

Rate-regulated operations

In December 2007, the Canadian Institute of Chartered Accountants (CICA) amended Handbook Sections 1100 – Generally Accepted Accounting Principles and made consequential amendments to Accounting Guideline 19 – Disclosures by Entities Subject to Rate Regulation. The amendments removed the temporary exemption from the requirement to apply Section 1100 to the recognition and measurement of assets and liabilities arising from rate regulation, effective January 1, 2009.

As permitted by Canadian GAAP, the Company is applying the U.S. Financial Accounting Standards Board (FASB) standard, Statement of Financial Accounting Standards No. 71 – Accounting for the Effects of Certain Types of Regulation (SFAS 71), which provides guidance for the recognition and measurement of rate-regulated assets and liabilities. These amendments and adoption of the SFAS 71 guidance effective January 1, 2009, did not have a material impact on our interim consolidated financial statements and is not expected to have a material impact going forward.

Intangible assets

In February 2008, the CICA issued Handbook Section 3064 – Goodwill and Intangible Assets and consequential amendments to Section 1000 – Financial Statement Concepts. The new section establishes standards effective January 1, 2009 for the recognition, measurement and disclosure of goodwill and intangible assets. The provisions relating to the definition and initial recognition of intangible assets, including internally generated intangible assets, are equivalent to the corresponding provisions in International Financial Reporting Standards. EPCOR has adopted these amendments commencing January 1, 2009 and applied them on a retrospective basis, resulting in the reclassification of $89 million of net assets from property, plant and equipment to contract and customer rights and other intangible assets in the comparative December 31, 2008 balance sheet. The adoption of these amendments had no other material impact on our interim consolidated financial statements.

Credit risk and fair value of financial assets and liabilities

On January 20, 2009, the Emerging Issues Committee of the CICA issued EIC-173 Credit Risk and the Fair Value of Financial Assets and Liabilities, which clarifies that an entity's own credit risk and the credit risk of its counterparties should be taken into account in determining the fair value of financial assets and liabilities, including derivative instruments. Effective January 1, 2009, the Company adopted the recommendations of EIC-173 and applied them retrospectively without restatement of prior periods. Including counterparty credit risk in the estimate of the fair value of Power LP's natural gas and foreign exchange contracts on January 1, 2009 had the following impact on EPCOR's balance sheet on that date:

(Unaudited, $ millions)	**Increase (decrease)**
Derivative instruments assets – non-current	$ (1)
Derivative instruments liabilities – non-current	(6)
Future income tax liabilities – non-current	1
Non-controlling interests	3
Opening retained earnings	1

Future accounting changes

International financial reporting standards

In February 2008, the CICA confirmed that Canadian reporting issuers will be required to report under International Financial Reporting Standards effective January 1, 2011, including comparative figures for the prior year.

In January 2008, we established a core team to develop a plan which will result in the Company's first interim report for 2011 being in compliance with International Financial Reporting Standards.

The diagnostic phase of the project was completed in April 2008. For each international standard, we identified the primary differences from Canadian GAAP and made an initial assessment of the impact of the required changes for the purpose of prioritizing and assigning resources. In making the assessment, the number of businesses impacted, the potential magnitude of the financial statement adjustment, the availability of policy choices, the impacts on systems and the impacts on internal controls were all considered.

The information obtained from the diagnostic phase was used to develop a detailed plan for convergence and implementation. The convergence and implementation work has five key sections: Financial Statement Adjustments, Financial Statements, Systems Updates, Policies and Internal Controls, and Training.

Financial Statement Adjustments

For each international standard, we will determine the quantitative impacts to the financial statements, system requirements, accounting policy decisions, and changes to internal controls and business policies. The initial accounting policy decisions will be brought forward to the Audit Committee for their information as each standard is addressed. However, final accounting policy decisions for all standards in effect at the end of 2009 will be made in the fourth quarter of 2009, as they should not be determined in isolation of other policy decisions. Policy decisions for any new standards or standards that are amended in 2010 will be made in conjunction with our analysis of those standards in 2010.

As the project progresses, the timing of completion of certain items may change as changes to standards and other external factors such as discussions with certain stakeholders may result in a change in priorities. However, we believe the project has sufficient resources to meet the overall project timeline.

Financial Statements

There are also a number of international standards which relate to financial statement presentation. Draft financial statements highlighting the disclosure and presentation requirements were reviewed by and discussed with the EPCOR Audit Committee in the first quarter of 2009. Recommendations on certain presentation issues such as whether to present the income statement by function or nature of expense will be brought forward in the second quarter of 2009. The development of the financial statement presentation will evolve throughout the project as the impacts of implementing the various standards are quantified.

Systems Updates

The diagnostic phase of the project identified two key accounting system requirements. The system must be able to capture 2010 financial information under both the prevailing Canadian GAAP and International Financial Reporting Standards to allow comparative reporting in 2011, the first year of reporting under International Financial Reporting Standards. It must also be able to accommodate possible changes to foreign currency translation methods, depending on how certain foreign entities are classified under International Financial Reporting Standards. EPCOR developed a systems strategy in 2008 and commenced implementation of this strategy in the first quarter of 2009. This strategy involves the implementation of a parallel fixed asset subledger and general ledger, which is planned for completion in the third quarter of 2009.

Policies and Internal Controls

In the determination of the financial statement adjustments, requirements for changes to Company policies and internal controls will be identified and documented. As there may be factors other than International Financial Reporting Standards impacting policies and internal controls, the formal documentation and approval of revised policies and internal controls will not occur until the third quarter of 2010.

The impact of International Financial Reporting Standards on certain agreements, such as debt, shareholder and compensation agreements, has also been included in the plan. Strategies to address these issues are being developed and will be completed in the second quarter of 2009.

Training

The Company recognizes that training at all levels is essential to a successful conversion and integration. Accounting staff have attended two training sessions with more planned to occur throughout the conversion process. The Board of Directors and Audit Committee have attended a training session, and the Audit Committee receives regular updates on the conversion project. Further training for the Board of Directors and Audit Committee will occur throughout the project.

Consolidated financial statements and non-controlling interests

In January 2009, the CICA issued Handbook Section 1601 – Consolidated Financial Statements and Section 1602 – Non-controlling Interests, which replace Section 1600 – Consolidated Financial Statements. Section 1601establishes the standards for the preparation of consolidated financial statements while Section 1602 establishes the standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. Section 1602 is equivalent to the corresponding provisions of International Accounting Standard 27 – Consolidated and Separate Financial Statements.

Sections 1601 and 1602 will apply to EPCOR's interim and annual consolidated financial statements relating to periods commencing on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year provided Section 1582 – Business Combinations is also adopted at the same time. The impact of the new standards and the option to adopt them early will be assessed as part of our International Financial Reporting Standards project.

Business combinations

In January 2009, the CICA issued Handbook Section 1582 – Business Combinations, which replaces Section 1581 – Business Combinations and provides the Canadian equivalent to International Financial Reporting Standard 3 – Business Combinations. The section will apply on a prospective basis to EPCOR's business combinations for which the acquisition date is on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year provided Sections 1601 – Consolidated Financial Statements and 1602 – Non-controlling Interests are also adopted at the same time. The impact of the new standard and the option to adopt it early will be assessed as part of our International Financial Reporting Standards project.

CRITICAL ACCOUNTING ESTIMATES

In preparing the consolidated financial statements, management necessarily made estimates in determining transaction amounts and financial statement balances. The following are the items for which significant estimates were made in the consolidated financial statements: electricity revenues, costs and unbilled consumption, fair values, allowance for doubtful accounts, useful lives of assets, income taxes and PPA availability incentives. For further information on the Company's accounting estimates, refer to the 2008 annual MD&A.

RISK MANAGEMENT

This section should be read in conjunction with the Risk Management section of the most recent annual MD&A. EPCOR faces a number of risks including electricity price and volume risk, natural gas price and volume risk, operational risk, environment, health and safety risk, political, legislative and regulatory risk, project risk, credit risk, financial liquidity risk, supply risk of acquired PPAs, availability of people risk, weather risk, foreign exchange risk, conflicts of interest risk, and general economic conditions and business environment risks. The Company employs active programs to manage these risks.

On March 20, 2009, EPCOR was charged under Alberta's Occupational Health and Safety Act (the Act) and Occupational Safety Code (the Code) in relation to the 2007 fatality of a power lineman employee who came in contact with energized equipment at a job site in south Edmonton. The charge under the Act relates to failure to ensure, as far as it was reasonably practicable to do so, the health and safety of the employee. The three charges under the Code relate to safe work plan provisions, Alberta Electric Utility Code rules and work process safeguards with respect to energized electrical cables. We are reviewing the charges and have requested more information from the Solicitor General's office regarding the specifics of the allegations. A court date of May 12, 2009 has been set to hear the charges. Each charge could attract a fine of up to $500,000 upon conviction.

As part of ongoing risk management practices, the Company reviews current and proposed transactions to consider their impact on the risk profile of the Company. There have been no material changes to the risk profile or risk management strategies of EPCOR as described in the annual MD&A for 2008.

OUTLOOK

In the quarter ended March 31, 2009, plant availability at Genesee 1 and 2 improved markedly over the prior year due to the scheduled turnaround work completed in 2008 and optimal plant operation in the current quarter. This level of plant performance should continue for the balance of the year and availability incentive income should be at the level achieved in the first quarter, unless Alberta power prices change materially.

We expect net income, before the impact of fair value changes, for the next three quarters to be consistent with that of the first quarter of 2009 subject to the potential impact of the following events. Earnings in the next three quarters will benefit from the March 31, 2009 addition of the Gold Bar operation. Earnings from our portfolio of commercial water services contracts should increase with the addition of the contract for operation services for the Town of Banff's wastewater treatment plant which commenced on March 24, 2009. Water Services also anticipates substantially completing the construction of the water and wastewater treatment facilities at the Suncor Voyageur site in Fort McMurray, Alberta by the end of the second quarter. EPCOR will own and operate the facilities under a commercial arrangement with Suncor. Due to the slowdown in oilsands activity, the plant is currently not expected to commence operations in 2009 as planned. The second unit of the Clover Bar Energy Centre is expected to start operating and contributing to net income by the third quarter of 2009.

SUBSEQUENT EVENT

On May 8, 2009 EPCOR announced its plans to create Capital Power Corporation, a power generation company that will be permanently headquartered in Edmonton.

Capital Power Corporation and its subsidiaries (Capital Power) will acquire all the power generation assets and related operations of EPCOR, including its 30.6% interest in Power LP, and be responsible for operating the generating plants currently owned by EPCOR and Power LP.

EPCOR may eventually sell all or a substantial portion of its ownership interest in Capital Power, subject to market conditions, its requirements for capital and other circumstances that may arise in the future, with proceeds from share sales to be reinvested in EPCOR's growing utility infrastructure businesses, including water, wastewater, power transmission and power distribution.

EPCOR is planning an Initial Public Offering of common shares of Capital Power representing approximately 25% of the Company’s power generation business. A preliminary prospectus for the offering is expected to be filed with securities regulators in Canada. EPCOR anticipates that the closing of the initial public offering of Capital Power shares will be completed in mid-2009. Employees will move to Capital Power at closing, with transaction arrangements in place between the companies in order to ensure continuity of operations and services.

At March 31, 2009, the carrying value of the assets to be sold to Capital Power was $5 billion (December 31, 2009 - $5 billion) and revenue for the three months then ended were $708 million (March 31, 2008 – $633 million).

FORWARD-LOOKING INFORMATION

Certain information in this MD&A is forward-looking within the meaning of Canadian securities laws as it relates to anticipated financial performance, events or strategies. When used in this context, words such as “will”, “anticipate”, “believe”, “plan”, “intend”, “target”, and “expect” or similar words suggest future outcomes.

Forward-looking information in this MD&A includes: (i) Keephills 3 construction will be completed by the end of the first quarter of 2011; (ii) installation of the remaining two units at the Clover Bar Energy Centre is planned for completion in the second quarter of 2009 and in 2010, respectively; (iii) capital requirements to finance the Company’s capital projects are expected to continue at the current pace until at least the end of 2010 and capital spending in 2009 is expected to be financed with existing credit facilities, the issuance of commercial paper or medium-term notes; (iv) the Company plans to continue using commercial paper and existing credit facilities for its working capital requirements; (v) the Company will be able to renew its $200 million bilateral credit facility which expires in the second quarter of 2009 and draws under this facility will be at increased effective interest rates; (vi) the expected timing and payments of the long-term debt issued to the City for the Gold Bar asset transfer; (vii) expectations regarding the impact on the Company of the capital and credit market instability and expected risk mitigation plans; (viii) Genesee 1 and 2 plant performance will continue for the remainder of the year resulting in availability income levels similar to those achieved in the first quarter of 2009; (ix) earnings for the remainder of 2009 will benefit from the addition of the Gold Bar operation; (x) earnings for the next three quarters, before fair value changes, will be consistent with that of the first quarter of 2009; (xi) the expectation that the Company will substantially complete the construction of the water and wastewater treatment facilities at the Suncor Voyageur site in Fort McMurray, Alberta by the end of the second quarter and will not commence operation of the facilities in 2009 as planned; and (xii) the Company is planning to create Capital Power Corporation which, together with its subsidiaries, will acquire all the power generation assets and related operations of EPCOR and complete an Initial Public Offering of its common shares representing approximately 25% of the Company’s power generation business.

These statements are based on certain assumptions and analyses made by the Company in light of its experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate. The material factors and assumptions underlying this forward-looking information include, but are not limited to: (i) the operation of the Company’s facilities; (ii) power plant availability, including those subject to acquired PPAs (iii) the Company’s assessment of commodity and power markets; (iv) the Company's assessment of the markets and regulatory environments in which it operates; (v) weather; (vi) availability and cost of labour and management resources; (vii) performance of contractors and suppliers; (viii) availability and cost of financing; (ix) foreign exchange rates; (x) management's analysis of applicable tax legislation; (xi) the currently applicable and proposed tax laws will not change and will be implemented; (xii) proposed environmental regulations will be implemented; (xiii) counterparties will perform their obligations; (xiv) expected interest rates, related credit spreads and mortality rates for new notes exchanged for ABCP; (xv) ability to implement strategic initiatives which will yield the expected benefits; and (xvi) the Company's assessment of capital markets and ability to complete the planned Initial Public Offering of Capital Power.

Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks and uncertainties which could cause actual results and experience to differ materially from EPCOR's expectations. Such risks and uncertainties include, but are not limited to risks relating to: (i) operation of the Company's facilities (ii) power plant availability and performance; (iii) unanticipated maintenance and other expenditures; (iv) availability and price of energy commodities; (v) electricity load settlement; (vi) regulatory and government decisions including changes to environmental, financial reporting and tax legislation; (vii) weather and economic conditions; (viii) competitive pressures; (ix) construction; (x) availability and cost of financing; (xi) foreign exchange; (xii) availability of labour and management resources; (xiii) performance of counterparties, partners, contractors and suppliers in fulfilling their obligations to the Company; and (xiv) the capital market's interest in Capital Power's planned Initial Public Offering.

Readers are cautioned not to place undue reliance on forward-looking statements as actual results could differ materially from the plans, expectations, estimates or intentions expressed in the forward-looking statements. Except as required by law, EPCOR disclaims any intention and assumes no obligation to update any forward-looking statement even if new information becomes available, as a result of future events or for any other reason.

QUARTERLY RESULTS

Quarter ended	Revenues	Net income
	(Unaudited, $ millions)	
March 31, 2009	$ 890	$ 104
December 31, 2008	807	15
September 30, 2008	958	76
June 30, 2008	868	16
March 31, 2008	799	68
December 31, 2007	962	59
September 30, 2007	928	67
June 30, 2007	863	53

Events for 2008 and 2007 quarters that have significantly impacted net income and the comparability between quarters are:

- December 31, 2008 fourth quarter results reflected impairment charges on the goodwill associated with the investment in Power LP and on Power LP's investment in PERH. Power LP also recognized unrealized fair value losses on its forward foreign exchange contracts used to economically hedge U.S. cash flows and on its natural gas supply contracts.

- September 30, 2008 third quarter results reflected gains on the sale of portfolio investments and unrealized fair value gains on financial electricity contracts, Joffre contract for differences and forward foreign exchange contracts. These gains were partly offset by administration costs resulting from Long-Term Incentive Plan (LTIP) adjustments, and lower income from Power LP.

- June 30, 2008 second quarter results reflected maintenance costs and Genesee PPA availability penalties resulting from scheduled turnarounds on all three Genesee plants partly offset by the favourable impact of high Alberta power prices on our financial contract portfolio, and unrealized fair value gains on Power LP's natural gas supply contracts.

- March 31, 2008 first quarter results included a $30 million gain on the sale of a 10% interest in the Battle River PSA, the favourable impact of high Alberta power prices on our financial contract portfolio which was in a net long position and unrealized fair value gains on Power LP's natural gas supply contracts. These gains were partly offset by maintenance costs and Genesee PPA availability penalties resulting from a scheduled turnaround at Genesee 1, and a fair value reduction of ABCP.

- December 31, 2007 fourth quarter results included unrealized fair value gains on derivative financial instruments in our Alberta merchant and wholesale portfolio which were not designated as hedges for accounting purposes, and unrealized fair value gains on Power LP's natural gas supply contracts. These gains were partly offset by a reduction in the fair value of ABCP and a future income tax charge for the impact of future tax rate reductions which were substantively enacted in December 2007.

- September 30, 2007 third quarter results included higher Alberta electricity margins due to favourable settlements on financial sales as a result of higher contract prices and lower Alberta power prices. In addition, the results included favourable unrealized fair value changes in financial and non-financial derivative instruments, which were not designated as hedges for accounting purposes, in Alberta merchant and wholesale positions due to lower forward power prices combined with a net short position.

- June 30, 2007 second quarter results included unrealized fair value decreases in derivative financial instruments which were not designated as hedges for accounting purposes, resulting from increasing forward market prices. In addition, income from Power LP included unrealized fair value decreases for the natural gas supply contracts resulting from decreasing forward natural gas prices and contract price changes for the Tunis plant.

Additional information

Additional information relating to EPCOR, including EPCOR's annual information form, is available on SEDAR at www.sedar.com.