EPCOR Utilities Inc.
Management's Discussion and Analysis
December 31, 2014

This management's discussion and analysis (MD&A) dated March 4, 2015 should be read in conjunction with the audited consolidated financial statements of EPCOR Utilities Inc. for the years ended December 31, 2014, and 2013, including standards and interpretations not yet applied (note 3(x)), related party transactions (note 28) and financial instruments (note 29), and the cautionary statement regarding forward-looking information at the end of this MD&A. In this MD&A, any reference to "the Company", "EPCOR", "it", "its", "we", "our" or "us", except where otherwise noted or the context otherwise indicates, means EPCOR Utilities Inc., together with its subsidiaries and joint arrangements. In this MD&A, Capital Power refers to Capital Power Corporation and its directly and indirectly owned subsidiaries including Capital Power L.P., except where otherwise noted or the context otherwise indicates. Financial information in this MD&A is based on the audited consolidated financial statements, which were prepared in accordance with International Financial Reporting Standards (IFRS), 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. This MD&A was approved and authorized for issue by the Board of Directors on March 4, 2015.

OVERVIEW

EPCOR is wholly-owned by The City of Edmonton (the City). EPCOR builds, owns and operates electrical transmission and distribution networks in Canada as well as water and wastewater treatment facilities and infrastructure in Canada and the United States (U.S.). EPCOR also provides electricity and water services and products to residential and commercial customers. EPCOR's electricity (collectively the Distribution and Transmission and Energy Services segments) and water (including wastewater treatment) businesses consist primarily of rate-regulated and long-term commercial contracted operations.

Net income for the year ended December 31, 2014, was $191 million compared with net income of $175 million for 2013. The increase of $16 million was primarily due to deferred tax recovery from an increase in forecasted taxable income in Energy Services and gain on dilution of interest in Capital Power. This was partially offset by a loss on the fair market adjustment of interest rate swaps and lower capitalized interest due to lower capital spending.

EPCOR's core operations performed well in the year without any significant issues or disruptions to customers. The Company reported $4 million lower income from core operations in 2014 than in 2013, as described in the net income table on page 4. Income from core operations is a non-IFRS financial measure; see Non-IFRS Financial Measure on page 27 of this MD&A. EPCOR's equity share of income of Capital Power, net of income taxes, was $47 million lower for the year ended December 31, 2014, than in 2013.

STRATEGY

EPCOR's vision is to become a premier essential services utility in North America. To achieve this vision, EPCOR must excel at its electricity and water operations and be successful in its pursuit of new business growth opportunities. EPCOR's electricity strategy includes maintaining and developing new distribution and transmission infrastructure in its franchise service area as well as the development and/or acquisition of new rate-regulated or contracted assets and operations outside of its service area. EPCOR's water strategy includes maintaining and developing new water and wastewater infrastructure within its municipal franchise service areas, the development and/or acquisition of new rate-regulated or contracted assets and operations outside of its service area. This includes design, build, finance and operate services for municipal water and wastewater treatment infrastructure and the provision of potable and process water and wastewater treatment services for industrial customers.

We believe the long-term outlook for the North American electricity and water and wastewater treatment businesses remains relatively strong. The demand for electricity and water and wastewater infrastructure in North America is expected to increase due to population growth, aging infrastructure, strong electricity demand, water scarcity and increased consumer expectations for high quality and safe water.

Over the next five years we plan to invest in electricity and water and wastewater treatment assets where appropriate returns are expected, cost effective financing is available and the environmental footprint is acceptable. We will also be monitoring our investment in Capital Power and will seek opportunities or transactions to reduce the investment, depending on our demand for capital and the prevailing market conditions.

Maintaining our investment grade credit rating to ensure access to capital through existing and new credit facilities and public or private debt financing offerings remains a priority. We recognize that we are not immune to recessionary trends and will remain vigilant to maintain a prudent balance of rate-regulated and contracted operations and remain within our financial capacity.

KEY PERFORMANCE INDICATORS

Our progress in meeting the goals of our strategy is measured through financial and non-financial measures that are approved by the Board of Directors. The measures fall under four broad categories comprised of health, safety and environment, people, growth (financial) and operational excellence, and are applied across the Company.

There are specific measures established for each business unit and corporate shared service unit in alignment with the Company's strategy. For example, under the health, safety and environment category, safety performance is based on total reportable injury frequency. Business unit measures under the operational excellence category are focused on customer related measures relevant to the particular business unit, such as customer satisfaction survey results.

In 2014, EPCOR's financial results from core operations were ahead of our plan primarily due to higher than anticipated demand for water and deferred tax recovery from recognition of previous tax loss carry forward balances. This was partially offset by the later timing of approved electricity rates, lower fair value adjustments related to financial electricity purchase contracts and interest rate swaps. Recordable injury frequency rates for EPCOR overall were slightly higher in 2014 as compared to 2013. Organization refinements in 2015 will allow us to increase our attention to health and safety. We continue to strive towards a zero injury and occupational illness culture in which we believe all incidents are preventable. Segment performance measures are discussed under Segment Results of this MD&A.

SIGNIFICANT EVENTS

Reorganization of Energy Services

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

Launch of Encor

In May 2014, the Company launched Encor to provide competitive electricity and natural gas products to Alberta-based customers. The Encor line of competitive products are offered in a variety of 3-year and 5-year 'opt out anytime' plans.

New wastewater treatment facility for the City of Regina

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

Credit Rating Upgrade

In September 2014, Standard & Poor's Rating Services raised its long-term corporate credit and senior unsecured debt rating on EPCOR to 'A-' from 'BBB+'.

Heartland Transmission Project partitioning

In October 2014, the joint operation partners unanimously agreed to partition and divide the project facilities between the owners and terminate the joint operation. Accordingly, the Company has discontinued classifying its interest in the Heartland Transmission Project as a joint operation and EPCOR's share of the assets and liabilities of the project continue to be reported under the Company's Distribution and Transmission business segment.

CONSOLIDATED FINANCIAL INFORMATION

($ millions) **Years ended December 31,**		**2014**		**2013**		**2012**
Revenues	$	1,904	$	1,929	$	1,931
Net income		191		175		19
Total assets		5,738		5,447		5,424
Cash and cash equivalents, at end of year		37		130		232
Loans and borrowings (including current portion)		1,977		1,972		1,970
Short-term borrowings during the year		103		-		-
Long-term borrowings during the year		-		-		300
Provisions (including current portion)		135		109		112
Other financial liabilities (including current portion)		25		28		37
Common share dividends		141		141		141

Revenues

($ millions)		
Revenues for the year ended December 31, 2013	**$**	**1,929**
Higher Water Services segment revenues		58
Higher electricity Distribution and Transmission segment revenues		8
Lower Energy Services segment revenues		(97)
Other		6
Decrease in revenues from core operations		(25)
Revenues for the year ended December 31, 2014	**$**	**1,904**

Consolidated revenues for the year ended December 31, 2014, decreased $25 million compared with 2013 primarily due to the net impact of the following year-over-year changes:

- Water Services segment revenues were higher in 2014 compared with 2013 primarily due to higher approved customer rates, increased volumes, and higher construction revenue.
- Electricity Distribution and Transmission revenues were higher in 2014 compared with 2013 primarily due to higher approved distribution and transmission customer rates. This was partially offset by refunds to customers. The refunds in 2014 relate to the 2012 and 2013 true-ups of the system access rates.

- Energy Services segment revenues were lower in 2014 compared with 2013 primarily due to lower electricity prices and volumes.

Net Income

($ millions)		
Net income for the year ended December 31, 2013	**$**	**175**
2013 equity share of income from Capital Power (net of income tax)		(64)
2013 loss on sale of a portion of investment in Capital Power		16
2013 impairment of investment in Capital Power		43
2013 income from core operations		**170**
Higher Water Services segment operating income		16
Lower electricity Distribution and Transmission segment operating income		(8)
Lower Energy Services segment operating income		(7)
Higher net financing expense		(12)
Higher deferred income tax recovery		17
Other		(10)
		(4)
2014 income from core operations		**166**
2014 equity share of income from Capital Power (net of income tax)		17
Gain on dilution of interest in Capital Power		8
Net income for the year ended December 31, 2014	**$**	**191**

Explanations of the primary year-over-year variances in net income are as follows:

- EPCOR's equity share of income of Capital Power was lower in 2014 compared with 2013, reflective of the Company's equity share of lower Capital Power net income and the impact of EPCOR's reduced economic interest in Capital Power.
- There was no sale of our investment in Capital Power in 2014. In 2013 the Company sold a portion of its investment in Capital Power incurring a loss on sale. The loss on sale resulted from the carrying amount of the portion of the Company's investment in Capital Power sold being greater than the proceeds received less direct expenses and realized accumulated other comprehensive loss.
- There was no impairment of our investment in Capital Power in 2014 compared with 2013.
- Capital Power issued additional limited partnership units during 2014 resulting in the Company realizing a gain on dilution of its economic interest.
- The changes in each business segment's operating results for the year ended December 31, 2014, compared with 2013 are described under Segment Results below.
- Net financing expense was higher in 2014 compared with 2013 primarily due to a loss on the fair market adjustment of interest rate swaps and lower capitalized interest due to lower capital spending.
- Recovery of deferred income tax was primarily due from an increase in forecasted taxable income in Energy Services.

SEGMENT RESULTS

Water Services

Water Services earns income primarily from the treatment, distribution and sale of water and the collection and treatment of wastewater while ensuring public health standards are met or exceeded. Water Services operates in Canada and the U.S. The majority of Water Services' income in Canada is earned through a performance based rate tariff charged to its Edmonton customers. The performance based rate tariff is intended to allow Water Services the opportunity to recover its costs and earn a fair rate of return while providing an incentive to manage costs below inflation and other prescribed adjustments built into the tariff.

Water Services also operates in Arizona and New Mexico. U.S. Customer rates in these states are subject to approval by the Arizona Corporation Commission and the New Mexico Public Regulation Commission, respectively, and are intended to allow EPCOR the opportunity to recover costs and earn a reasonable rate of return under a historical cost of service framework.

In addition, Water Services provides competitive contract-based water and wastewater services, including financing, in certain arrangements, to commercial, industrial and municipal customers.

Water Services Operating Income

(including intersegment transactions, $ millions) **Years ended December 31,**		**2014**	**2013**
Revenues	Water sales	$ 417	$ 384
	Provision of services	93	90
	Construction revenues	53	32
	Finance lease income	15	14
		578	520
Expenses	Other raw materials and operating charges	143	118
	Staff costs and employee benefits expenses	126	118
	Depreciation and amortization	78	72
	Franchise fees and property taxes	25	23
	Other administrative expenses	23	23
		395	354
Operating income before corporate charges		183	166
Corporate charges		27	26
Operating income		**$ 156**	**$ 140**

($ millions)	
Operating income for the year ended December 31, 2013	**$ 140**
Higher Canadian water and wastewater operating income	9
Higher U.S. water operating income	7
Increase in operating income	16
Operating income for the year ended December 31, 2014	**$ 156**

For the year ended December 31, 2014, Water Services' operating income increased by $16 million compared with 2013 due to the net impact of the following items:

- Canadian water and wastewater operating income was higher in 2014 compared with 2013 due to higher approved customer rates and increased volumes. This was partially offset by higher staff and power costs, and higher depreciation expense.
- U.S. water operating income was higher in 2014 compared with 2013 due to higher approved customer rates and a higher average foreign exchange rate. This was partially offset by higher staff and operating costs, and higher depreciation expense.

Years ended December 31,	2014	2013
Water volumes (megalitres)		
Water sales for Edmonton and surrounding region	126,560	123,007
Water sales for Arizona and New Mexico	81,822	78,837

At December 31, 2014, Water Services owned eight and operated 19 other water treatment and / or distribution facilities in Alberta and British Columbia. Additionally, Water Services owned five wastewater treatment and / or collection facilities and operated 23 other wastewater treatment and / or collection facilities in Alberta, British Columbia and Saskatchewan. In Arizona and New Mexico, EPCOR owned operations in 12 water utility districts, each containing one or more water treatment and / or distribution facilities, and five wastewater utility districts, each containing one or more wastewater treatment and / or collection facilities.

In 2014, Water Services won a bid to design, build, finance, operate and maintain a new wastewater treatment facility for the City of Regina under a public-private partnership. Water Services also continued construction and upgrade work on water and wastewater facilities it owns and / or operates in the Alberta oil sands region and in southern Alberta, including finalizing the construction project in the Kananaskis Village area. Water Services' core market is stable as Water Services is the supplier of water and provider of wastewater services within its various operating districts. Operationally, the facilities Water Services owns or manages performed according to plan in 2014 with no significant interruptions to service.

Water Services focused on two key areas in 2014: (i) the continued upgrade and enhancement of water distribution infrastructure and water and wastewater treatment facilities within Edmonton; and (ii) the pursuit of growth and development opportunities to design, build, finance, operate and maintain water and wastewater infrastructure. Work on several significant projects within Edmonton progressed in 2014. These include the annual water main renewal program to improve Edmonton's water distribution system, distribution system relocation as a result of the City's light rail transit expansion, a new water laboratory and related office building at the Rossdale water treatment facility, a project which converts phosphorus in wastewater to a fertilizer that can be sold, and upgrades to digester and pre-treatment infrastructure at the Gold Bar wastewater treatment facility (Gold Bar).

Distribution and Transmission

Distribution and Transmission earns income principally by transmitting high-voltage electricity through its facilities that form part of the Alberta Interconnected Electrical System to points of distribution and, from there, distributing lower voltage electricity to end-use customers. The transmission services are provided to the Alberta Electric System Operator (AESO). The distribution services are provided to electricity retailers such as Energy Services and competitive retailers. Distribution and Transmission's assets are located in and around Edmonton and are rate-regulated by the Alberta Utilities Commission (AUC). Distribution and Transmission charges rate-regulated distribution and transmission tariffs intended to allow recovery of prudent costs and earn a fair rate of return on capital invested in electricity distribution and transmission infrastructure. Distribution and Transmission is responsible for providing meter reading and load settlement services for all retail electricity suppliers within the Edmonton service area. This segment also provides competitive contract-based commercial services related to installation, maintenance and repair of street lighting, traffic signals and light rail transit, primarily to the City.

Distribution and Transmission Operating Income

(including intersegment transactions, $ millions) **Years ended December 31,**			**2014**		**2013**
Revenues	Distribution	$	355	$	365
	Transmission		95		77
	Commercial and other		97		97
			547		539
Expenses	Electricity purchases and system access fees		156		154
	Other raw materials and operating charges		39		36
	Staff costs and employee benefits expenses		102		101
	Depreciation and amortization		59		51
	Franchise fees and property taxes		69		66
	Other administrative expenses		13		13
			438		421
Operating income before corporate charges			109		118
Corporate charges			27		28
Operating income		**$**	**82**	**$**	**90**

($ millions)		
Operating income for the year ended December 31, 2013	**$**	**90**
Higher transmission approved rates		18
Lower distribution approved customer rates, net of expenses		(14)
Depreciation		(8)
Other		(4)
Decrease in operating income		(8)
Operating income for the year ended December 31, 2014	**$**	**82**

For the year ended December 31, 2014, Distribution and Transmission's operating income decreased $8 million compared with 2013 primarily due to refunds to customers in 2014 which relate to the 2012 and 2013 true-ups of system access rates and higher depreciation expense. Also, there was a refund from the AESO in 2013 with no comparable refund in 2014. This was partially offset by higher approved transmission rates.

Years ended December 31,	**2014**	**2013**
Distribution reliability and volumes		
Reliability (system average interruption duration index in hours)	1.05	0.76
Electricity distribution (gigawatt-hours)	7,757	7,615

The vision of Distribution and Transmission is to be a trusted provider of safe and reliable electricity, known for a focus on safety, operational excellence and innovative and practical solutions. Distribution and Transmission's primary measure of distribution system reliability is the System Average Interruption Duration Index (SAIDI), which it focuses on minimizing. This measure captures the annual average number of hours of interruption experienced by Distribution and Transmission's customers, including scheduled and unscheduled interruptions to its primary distribution circuits. In 2014, the SAIDI was 1.05 hours compared with 0.76 in 2013. The increase in the 2014 SAIDI was primarily a result of scheduled outages and equipment failures. Distribution and Transmission will continue with its reliability improvement programs to further address controllable factors and help improve overall system reliability in the future. Electricity distribution volumes in 2014 were higher than 2013.

Energy Services

Energy Services earns income from the supply of electricity to customers under a regulated rate tariff (RRT). Customers under the RRT are residential, farm and small commercial customers who are not under a competitive contract and receive their electricity under the Regulated Rate Option (RRO). Energy Services also earns income from default rate customers (customers with higher electricity volumes that are not under a competitive contract) in the EPCOR Distribution and Transmission Inc. and FortisAlberta Inc. service areas and several Rural Electrification Association service territories. Energy Services also provides billing, collection, and contact center services to certain Water Services operations and the City Waste and Drainage Services departments. Energy Services focuses on providing excellent service experiences for its customers and measures call answer performance, billing performance and customer satisfaction and reports these results to the AUC on a quarterly basis.

Energy Services operates under provincial cost of service rate-regulation intended to allow it to recover its prudent costs and earn a margin return in respect of RRO service.

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

In May 2014, the Company launched Encor to provide competitive electricity and natural gas products. The competitive operations are included under the Energy Services segment.

Energy Services Operating Income

(including intersegment transactions, $ millions) **Years ended December 31,**			**2014**		**2013**
Revenues	Electricity sales	$	909	$	1,008
	Provision of services		27		25
			936		1,033
Expenses	Electricity purchases and system access fees		846		937
	Staff costs and employee benefits		25		23
	Depreciation and amortization		8		7
	Other administrative expenses		23		22
			902		989
Operating income before corporate charges			34		44
Corporate charges			9		12
Operating income		**$**	**25**	**$**	**32**

Operating income for the year ended December 31, 2013	**$**	**32**
Increase due to lower corporate costs		3
Decrease due to lower fair value adjustments		(5)
Decrease due to lower margin on default charges		(2)
Decrease due to lower billing charges		(2)
Other		(1)
Decrease in operating income		(7)
Operating income for the year ended December 31, 2014	**$**	**25**

For the year ended December 31, 2014, Energy Services' operating income decreased by $7 million. This decrease was primarily due to lower fair value adjustments related to financial electricity purchase contracts, lower margin on default charges due to lower volumes and change in customer mix, lower billing charge revenues, higher staff and depreciation expense, partially offset by lower corporate charges.

Energy Services' retail sales volumes were as follows:

Years ended December 31,	2014	2013
Electricity (gigawatt-hours)		
RRT	5,085	5,161
Default and Competitive Supply	704	749
Total Electricity	**5,789**	**5,910**

Energy Services earns RRT electricity revenues based on an amended Energy Price Setting Plan (EPSP) approved by the AUC in August 2013. Under the EPSP, Energy Services manages its exposure to customer load and fluctuating wholesale electricity spot prices by entering into financial electricity purchase contracts up to 120 days in advance of the month of consumption in order to economically hedge the price of electricity under a well-defined risk management process set out in the EPSP. In January 2014, a new EPSP for the years 2014 – 2018 was submitted to the AUC for approval and a final decision is expected in the first half of 2015. Energy Services is on approved interim rates until a new EPSP is approved.

Capital Spending and Investment

($ millions) **Years ended December 31,**		**2014**		**2013**		**2012**
Water Services	$	175	$	153	$	126
Distribution and Transmission		200		276		222
Energy Services		2		5		5
Corporate		8		10		7
		385		444		360
Business acquisition		-		4		460
	$	**385**	**$**	**448**	**$**	**820**

In 2014, we continued to invest in our infrastructure assets to improve reliability and meet increasing electricity and treated water and wastewater demands. Capital expenditures were lower for 2014 compared with 2013 primarily due to the decreased construction activity in the Distribution and Transmission segment. This decrease was primarily due to the Heartland Transmission Project which was substantially complete in 2013. This was partially offset by increased spending on Distribution and Transmission lifecycle replacement and growth projects, increased construction activity in the Water Services segment at the Gold Bar wastewater treatment and Rossdale water treatment plants, and increased water main relocations to accommodate the City's Valley Line – Stage 1 Light Rail Transit project.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

($ millions) December 31,	2014	2013	Increase (decrease)	Explanation
Cash and cash equivalents	$ 37	$ 130	$ (93)	Refer to liquidity and capital resources section.
Trade and other receivables	333	360	(27)	Decrease primarily due to higher collections from customers and lower electricity accruals and billings resulting from lower customer electricity volumes and prices.
Inventories	14	14	-	
Finance lease receivables	118	122	(4)	Decrease due to scheduled collection of finance leases.
Other financial assets	408	367	41	Increase due to higher unbilled construction receivables, partially offset by collection of long-term receivables.
Deferred tax assets	69	53	16	Increase primarily due to recognition of tax loss carry forwards as a result from an increase in forecasted taxable income in Energy Services.
Investment in Capital Power	393	385	8	Increase primarily due to gain on dilution of interest and equity share of Capital Power income and other comprehensive income, partially offset by limited partnership distributions.
Property, plant and equipment	4,112	3,776	336	Increase primarily due to capital additions, partially offset by depreciation expense and asset retirements.
Intangible assets	254	240	14	Increase primarily due to capital expenditures, partially offset by amortization expense on assets with finite lives.
Trade and other payables	248	245	3	Increase primarily due to higher contractor costs on construction projects and capital accruals, partially offset by lower electricity accruals resulting from lower volumes and prices.
Loans and borrowings (including current portion)	2,080	1,972	108	Increase primarily due to higher short-term debt, partially offset by payment of the City debentures and early settlement of private debt.
Deferred revenues (including current portion)	870	806	64	Increase primarily due to contributed assets received, partially offset by revenue recognized.
Provisions (including current portion)	135	109	26	Increase primarily due to higher employee benefit obligations and contributions from developers.
Derivative liabilities (including current portion)	9	1	8	Increase primarily due to fair value loss on interest rate swap.
Other liabilities (including current portion)	37	40	(3)	Decrease primarily due to the scheduled Gold Bar asset transfer fee payment to the City, partially offset by increase in water deposits.
Deferred tax liabilities	19	12	7	Increase primarily due to net taxable temporary differences that arose from property, plant and equipment.
Equity attributable to the Owner of the Company	2,340	2,262	78	Increase due to comprehensive income, partially offset by dividends paid.

CONSOLIDATED STATEMENTS OF CASH FLOWS

($ millions)
Cash inflows (outflows)

	Years ended December 31, 2014	2013	Increase (decrease)	Explanation
Operating	$ 354	$ 269	$ 85	Increase primarily reflects changes in non-cash operating working capital resulting primarily from an increase in trade and other payables and a decrease in accounts receivable.
Investing	(390)	(213)	(177)	Decrease primarily due to no sale of investment in Capital Power in 2014, partially offset by lower capital expenditures primarily due to the substantial completion of the Heartland Transmission Project in 2013.
Financing	(57)	(158)	101	Increase due to proceeds from short-term debt issuance, partially offset by higher repayment of long-term debt.
Opening cash and cash equivalents	130	232	(102)	
Closing cash and cash equivalents	$ 37	$ 130	$ (93)	

LIQUIDITY AND CAPITAL RESOURCES

The Company maintains its financial position through rate-regulated utility and contracted operations which generate stable cash flows. The Company's sources of capital are cash on hand, operating cash flows, partnership distributions from Capital Power and interest and principal payments related to the long-term loans receivable from Capital Power, the issuance of commercial paper, existing credit facilities, public or private debt offerings and liquidation of its remaining interest in Capital Power. When the Company sells a portion of its interest in Capital Power in order to generate capital, it results in lower future partnership distributions due to the reduced economic interest. An important objective for the Company in support of its growth plans is maintaining investment grade credit ratings in order for the Company to access capital markets at competitive rates.

Operating Activities and Liquidity

Cash flow from operating activities, which includes changes in non-cash operating working capital, increased to $354 million in 2014 from $269 million in 2013. The increase was primarily due to stable non-cash working capital in 2014 compared to a large outflow 2013. The large outflow in 2013 was due to the Company settling wholesale electricity purchases owed to the AESO from 2012.

The Company expects to have sufficient liquidity to finance its plans and fund its obligations in 2015 with a combination of cash on hand, cash flow from operating activities, the issuance of commercial paper and drawings upon existing credit facilities. The Company has an adequate contractual liquidity position with credit available under various bank lines as described below under Financing. Cash flows from operating activities would be impaired by events that cause severe damage to our facilities and would require unplanned cash outlays for system restoration repairs. Under those circumstances, more reliance would be placed on our credit facilities for working capital requirements until a regulatory approved recovery mechanism or insurance proceeds were in place.

Capital Requirements and Contractual Obligations

EPCOR's projected capital requirements for 2015 include $350 million to $450 million for capital expenditures and acquisitions and $141 million for common share dividends.

The following table represents the Company's contractual obligations by year:

($ millions)	2015	2016	2017	2018	2019	2020 and thereafter	Total
Distribution and Transmission segment capital projects[1]	$ 8	$ 37	$ 2	$ -	$ -	$ -	$ 47
Water Services segment projects[2]	87	50	-	-	-	-	137
Gold Bar transfer fee[3]	1	-	-	-	-	-	1
Water purchase and transportation of water agreements[4]	7	1	-	-	1	3	12
Billing and customer care services agreement[5]	5	5	3	3	3	7	26
Loans and borrowings net of sinking fund payments received	10	141	10	409	7	1,397	1,974
Interest payments on loans and borrowings	118	113	108	96	76	1,232	1,743
Interest rate swaps – net[6]	-	-	1	1	1	4	7
Operating leases, net[7]	10	8	8	8	8	90	132
Total contractual obligations	$ 246	$ 355	$ 132	$ 517	$ 96	$ 2,733	$ 4,079

1 The Company has committed to various Distribution and Transmission segment capital projects as directed by the AESO.

2 The Company has commitments related to several Water Services projects in Canada through contract agreements.

3 In March 2009, the Gold Bar wastewater assets and associated long-term debt were transferred to EPCOR from the City. 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. The transfer fee is payable in annual installments over the period from 2009 to 2015 and is included in the table of contractual obligations above.

4 Water Arizona maintains agreements with the Central Arizona Water Conservation District for the purchase and transportation of water. These agreements are for terms of 100 years expiring at the end of 2107. Under the terms of these agreements, certain minimum payments of approximately $0.5 million are due each year in order to maintain the agreements until they expire. The Company is committed for the amount of water ordered in the fall of each year to be purchased and transported the following year.

Water New Mexico maintains agreements with the various well owners for the purchase of water. These agreements are generally for terms of ten years. Under the terms of these agreements, certain minimum purchases are due each year in order to maintain the agreements until they expire.

5 The Company has entered into an agreement for billing and customer care services for Water Arizona and Water New Mexico. The contract term is for ten years, expiring on August 31, 2021.

6 In May 2014, the Company entered into interest rate swaps to manage its interest rate risk related to the Regina Wastewater project. The counterparty to the swap arrangements is a major Canadian financial institution. The swaps will be net cash settled on a monthly basis. The Company does not anticipate any

material adverse effect on its financial covenants resulting from its involvement in this swap arrangement, nor does it anticipate non-performance by the counterparty. Detailed information regarding the interest rate swaps can be found in note 30 of the Company's consolidated financial statements for the year-ended December 31, 2014

7 In 2007, the Company entered into a long-term agreement to lease commercial space in a new office tower in Edmonton, Canada, primarily for its head office (head office lease). The agreement, which became effective in the fourth quarter of 2011, has an initial lease term of approximately 20 years, expiring on December 31, 2031, and provides for three successive five-year renewal options. The Company's annual lease commitments, net of annual payments to be paid to the Company by Capital Power and another company under the sub-leases receivable, under the terms of the lease are as follows:

	Minimum lease payable	
	2014	2013
January 1, 2015 through December 31, 2022	$ 6	$ 6
January 1, 2023 through December 31, 2023	7	7
January 1, 2024 through December 31, 2031	8	8

All of the Company's operating lease obligations for premises are included in the contractual obligations table above.

As at March 4, 2015, there were three common shares of the Company outstanding, all of which are owned by the City. The annual dividend is set at $141 million (2013 - $141 million), subject to annual review by EPCOR's Board and recommendation to the City. The dividend will remain fixed at that level unless the Board recommends a change to the City.

In the normal course of business, EPCOR provides financial support and performance assurances, including guarantees, letters of credit and surety bonds, to third parties in respect of its subsidiaries. The liabilities associated with these underlying subsidiary obligations are included in the consolidated balance sheet.

Financing

Generally, our external capital is raised at the corporate level and invested in the operating business units. Our external financing has consisted of commercial paper issuance, borrowings under committed credit facilities, debentures payable to the City, publicly issued medium-term notes, U.S. private-debt notes and issuance of preferred shares.

The Company has bank credit facilities, which are used principally for the purpose of backing the Company's commercial paper program and providing letters of credit, as outlined below:

($ millions) **December 31, 2014**	**Expiry**	**Total facilities**	**Banking commercial paper issued**	**Letters of credit and other facility draws**	**Net amounts available**
Committed					
Syndicated bank credit facility[1]	December 2017	$ 200	$ -	$ 82	$ 118
Syndicated bank credit facility	December 2019	350	103	-	247
Total committed		550	103	82	365
Uncommitted					
Bank line of credit	No expiry	25	-	-	25
Total uncommitted		25	-	-	25
		$ 575	$ 103	$ 82	$ 390

($ millions) **December 31, 2013**	**Expiry**	**Total facilities**	**Banking commercial paper issued**	**Letters of credit and other facility draws**	**Net amounts available**
Committed					
Syndicated bank credit facility[1]	November 2016	$ 400	$ -	$ 100	$ 300
Syndicated bank credit facility Tranche A	November 2016	250	-	-	250
Syndicated bank credit facility Tranche B	November 2018	250	-	-	250
Total committed		900	-	100	800
Uncommitted					
Bank line of credit	No expiry	25	-	-	25
Bank line of credit	November 2014	21	-	-	21
Total uncommitted		46	-	-	46
		$ 946	$ -	$ 100	$ 846

1 Restricted to letters of credit.

Letters of credit are issued to meet the credit requirements of energy market participants and conditions of certain service agreements.

In December 2014, the Company established a new $350 million single tranche committed syndicated bank credit facility which replaced the previous $500 million two-tranche ($250 million per tranche) committed syndicated bank credit facility. The Company's $350 million committed syndicated bank credit facility is available and primarily used for short-term borrowing and backstopping EPCOR's $350 million commercial paper program. The Company also reduced its committed syndicated bank credit facility that is restricted to the issuance of letters of credit from $400 million to $200 million. The reduced bank credit facilities are better aligned with the needs of the business. The committed syndicated bank credit facilities cannot be withdrawn by the lenders until expiry, provided that the Company operates within the related terms and covenants. The extension feature of EPCOR's committed syndicated bank credit facilities gives the Company the option each year to re-price and extend the terms of the facilities by one or more years subject to agreement with the lending syndicate. The Company regularly monitors market conditions and may elect to enter into negotiations to extend the maturity dates.

Commercial paper was issued and outstanding at December 31, 2014 for $103 million (2013 - nil).

The Company has a Canadian base shelf prospectus under which it may raise up to $1 billion of debt with maturities of not less than one year. At December 31, 2014, the available amount remaining under this base shelf prospectus was $1 billion (2013 - $1 billion). The shelf prospectus expires in December 2015.

The Company plans to continue to use commercial paper, existing bank credit facilities and publicly or privately issued medium-term notes for its financing requirements. Current and longer-term financing requirements could also be funded by a sale of a portion of the Company’s investment in Capital Power, pursuant to applicable agreements with Capital Power and as market conditions permit. Instability in the credit, equity and economic environments may adversely affect the interest rates at which the Company is able to borrow and may adversely affect the Company’s ability to sell a portion of its investment in Capital Power.

If the economy were to deteriorate in the longer term, particularly in Canada and the U.S., the Company’s ability to extend the maturity or revise the terms of bank credit facilities, arrange long-term financing for its capital expenditure programs and acquisitions, or refinance outstanding indebtedness when it matures could be adversely impacted. If market conditions worsen, the Company may suffer a credit rating downgrade and be unable to extend the maturity or revise the terms of its bank credit facilities or access the public or private debt markets. We believe that these circumstances have a low probability of occurring, however, we continue to monitor our capital programs and operating costs to minimize the risk that the Company becomes short of cash or unable to honor its obligations. If required, the Company would look to reduce capital expenditures and operating costs and / or sell a portion of its investment in Capital Power pursuant to applicable agreements with Capital Power and as market conditions permit.

Credit Ratings

Years ended December 31,	**2014**	**2013**	**2012**
Credit ratings			
Standard & Poor’s:			
Long-term debt	A-	BBB+	BBB+
DBRS Limited:			
Short-term debt	R-1 (low)	R-1 (low)	R-1 (low)
Long-term debt	A (low)	A (low)	A (low)

In September 2014, Standard & Poor’s Rating Services raised its long-term corporate credit and senior unsecured debt ratings on EPCOR from ‘BBB+’ to ‘A-’.

These credit ratings reflect the Company’s ability to meet its financial obligations given the stable cash flows generated from the rate-regulated water and electricity businesses. The Company's sale of the power generation assets in 2009 served to improve certain creditworthiness measures. However, the Company continues to be exposed indirectly to power generation related risks through its remaining 18% (2013 – 19%; 2012 – 29%) economic interest in Capital Power, as well as the long-term loans receivable from Capital Power. As both the equity interest and long-term loans receivable decrease and are replaced with rate-regulated distribution and transmission and water and wastewater infrastructure assets, the Company's creditworthiness is expected to continue to improve. Improvement in the Company’s creditworthiness may not result in further credit rating upgrades. A credit rating downgrade for EPCOR could result in higher interest costs on new borrowings and reduce the availability of sources and tenor of investment capital.

Financial Covenants

EPCOR is currently in compliance with all of its financial covenants as set out in its bank credit agreements and the financial covenants of its Canadian public medium-term notes and U.S. private-debt notes. Based on current financial covenant calculations, the Company has sufficient capacity to borrow to fund current and long-term requirements. Although the current risk of breaching these covenants is low, a breach could potentially result in a revocation of EPCOR's credit facilities causing a significant loss of access to liquidity.

The key financial covenants and their thresholds, as defined in the respective agreements, and EPCOR's actual measures at December 31, 2014 and December 31, 2013 were as follows:

	Actual 2014	Financial Covenant 2014	Actual 2013	Financial Covenant 2013
Modified consolidated net tangible assets to consolidated net tangible assets[1]	100%	> or = 85%	100%	> or = 85%
Consolidated senior debt to consolidated capitalization ratio[2]	46%	< or = 70%	46%	< or = 70%
Interest coverage ratio[3]	4.49	> or = 1.75:1.00	4.56	> or = 1.75:1.00
Debt issued by subsidiaries to consolidated net tangible assets[4]	0%	< or = 12.5%	0%	< or = 12.5%

1 Modified consolidated net tangible assets to consolidated net tangible assets refers to the total assets of the material subsidiaries of the Company on a consolidated basis, less intangible assets, the Capital Power investment adjusted for cash distributions, and the back-to-back debt expressed as a percentage of the total assets of the Company on a consolidated basis, less intangible assets, the Capital Power investment adjusted for cash distributions and the back-to-back debt.

2 Consolidated senior debt to consolidated capitalization refers the Company's total unsubordinated long-term debt expressed as a percentage of total unsubordinated long-term debt plus and shareholder's equity. This excludes subordinated debt which has a lower ranking for repayment.

3 Interest coverage ratio refers to the Company's ability to pay the interest that arises on outstanding debt. It is calculated by dividing the Company's operating income before interest income and depreciation and amortization expense plus cash distributions received from Capital Power by the Company's interest expense on loans and borrowings less interest income. The interest coverage ratio is not applicable if the Company has an investment grade credit rating.

4 Limitation of debt issued by subsidiaries refers to the total debt held by the Company's subsidiaries that is not guaranteed by the Company plus total debt held by material subsidiaries which is secured by the subsidiaries' assets expressed as a percentage of the Company's total assets less any intangible assets.

OUTLOOK

In 2015, we intend to continue to focus on growth in rate-regulated water and electricity infrastructure. We expect this growth to come from new infrastructure to accommodate growth and operational improvements in rate-regulated water and electricity businesses primarily related to the Edmonton-based operations. We also intend to expand our water and electricity commercial services offerings.

Demand for water is expected to continue to increase and we anticipate increased requirements for better water management practices including watershed management and conservation. With municipal budgets under pressure, municipal governments are considering the opportunities presented by public-private partnerships. We will pursue expanding our portfolio of commercial water contracts, particularly in Canada.

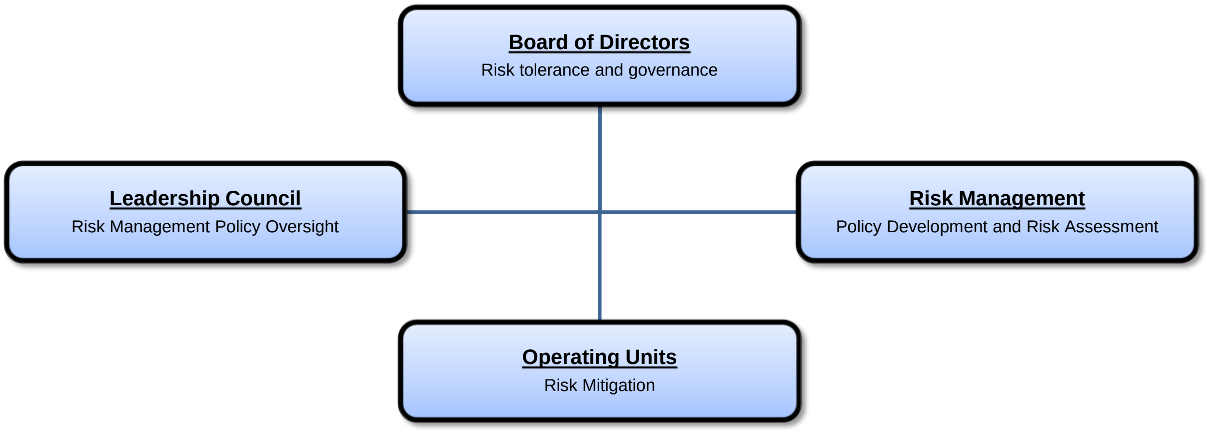
The AUC's 2011 Generic Cost of Capital decision set the generic return on equity for 2011 and 2012 to 8.75% for all Alberta natural gas and electricity distribution and transmission utilities. The AUC initiated a 2013 Generic Cost of Capital proceeding in the fourth quarter of 2013 applicable to years 2013 and 2014, and EPCOR's Distribution and Transmission segment will earn 8.75% on an interim refundable basis until a decision is received. A decision from the AUC is expected in the first half of 2015.

SUBSEQUENT EVENT

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

RISK FACTORS AND RISK MANAGEMENT

Approach to risk management



Our approach to Enterprise Risk Management (ERM) is to manage the key controllable risks facing the Company and consider appropriate actions to respond to uncontrollable risks. ERM includes the controls and procedures implemented to reduce controllable risks to acceptable levels and the identification of the appropriate management actions in the case of events occurring outside of management's control. Acceptable levels of risk and risk appetite for EPCOR are established by the Board of Directors, representing the shareholder, and are embodied in the decisions and corporate policies associated with risk management. EPCOR's framework for ERM is aligned with the Committee of Sponsoring Organizations 2004 Integrated ERM Framework and the ERM process follows CAN / CSA ISO 31000-10 Risk Management – Principles and Guidelines. EPCOR's ERM program and the risk management framework and process it supports is designed to identify, assess, measure, manage, mitigate and report on EPCOR's significant risks. The goal is to create and sustain business value by helping the Company reach its business objectives and strategies through better management of risk. The program promotes a common framework and language for managing risk across EPCOR. General ERM framework oversight, reviews and recommendations of risk compliance are provided by management and are based upon the objectives, targets and policies approved by the Board of Directors.

The Corporate Treasurer is responsible for developing the framework and assessing risk at an enterprise level and monitoring compliance with risk management policies. The Corporate Treasurer provides the Board of Directors with an enterprise risk assessment quarterly. The business units and shared service units are responsible for carrying out the risk management and mitigation activities associated with the risks in their respective operations. These risk management activities are integral aspects of the business units' and shared service units' operations. EPCOR believes that risk management is a key component of the Company's culture and we have put into place cost-effective risk management practices. At the same time, EPCOR views risk management as an ongoing process and we continually review our risks and look for ways to enhance our risk management processes.

Large scale emergencies resulting from various events discussed below may have a significant impact on the Company's ability to provide services that are considered essential services to the public. Maintaining essential services is critical to the EPCOR brand. The Company manages its ability to maintain business continuity with emergency response protocols which are periodically tested through various exercises and scenarios. These procedures ensure the Company has the coordination, capacity and competence to respond appropriately to emergency situations arising from various forms of risk.

The Company's Ethics Policy includes procedures which provide for confidential disclosure of any wrong-doing relating to accounting, reporting and auditing matters. The policy prohibits any retaliation against any person making a complaint. During 2014, no significant substantiated complaints with respect to accounting, financial reporting and auditing matters were received under the Ethics Policy.

Risks Related to Investment in Capital Power

Significant reliance is placed on the capacity of Capital Power to honor its back-to-back debt obligations with EPCOR. While EPCOR has a significant economic interest in Capital Power, EPCOR does not control Capital Power. Should Capital Power fail to satisfy these obligations, EPCOR's capacity to satisfy its debt obligations would be reduced and would need to be satisfied by other means. The back-to-back debt obligations may be called by EPCOR for repayment now that its ownership interest in Capital Power is below 20%. Repayment must occur within 180 days of notice if the principal balance outstanding is less than $200 million or within 365 days of notice if the principal balance outstanding is equal to or greater than $200 million.

Capital Power has indemnified EPCOR for any losses arising from its inability to discharge its liabilities, including any amounts owing to EPCOR in relation to the long-term loans receivable.

In addition, EPCOR relies on the cash flow from Capital Power partnership distributions as one of the Company's funding sources. The Capital Power distributions are paid at the discretion of the general partner of Capital Power L.P., which EPCOR does not control. There can be no assurance that Capital Power L.P. will continue to pay distributions at current levels as the distributions may be reduced or eliminated entirely in the future. Reduced future distributions, as a result of our expressed intent to sell down our interest in Capital Power over time, are expected and have been factored into our plans.

Underlying these risks are the specific business risks of Capital Power. EPCOR has no ability to manage these risks directly. EPCOR, by virtue of its holdings of exchangeable limited partnership units in Capital Power L.P., has two (2013 - two) nominated directors on the Board of Capital Power. EPCOR's exposure to these risks will decline as its interest in Capital Power is reduced.

Operational Risks

Operational risk in Water Services and Distribution and Transmission is managed through sound maintenance and safety practices.

Water Services performs continuous and rigorous quality control testing of water purification consistent with government and industry standards. The ability of the water treatment plants to meet these standards is dependent on continuous water testing in order that the prescribed requirements under regulation or conventional industry standards are met. Failure to properly maintain fully functioning treatment and measurement systems could result in regulatory fines, lost revenue or the occurrence of public health issues. Our maintenance practices are augmented by an inventory of strategic spare parts, which can reduce down-time considerably in the event of power or water system interruptions.

In Distribution and Transmission, maintenance and capital plans are determined annually based on rigorous assessment of its equipment and by continually monitoring the condition of assets.

Although water and power facilities have operated in accordance with expectations, there can be no assurance that they will continue to do so. To the extent we experience insufficient raw water supply, delivery of water and associated revenues may be negatively affected. To the extent our electricity facilities experience outages due to equipment failure, blackouts or constraints on the transmission system, delivery of power and associated revenues may be negatively affected. Financial exposures associated with operational risks are partly mitigated through our insurance programs.

Regulatory Risk

EPCOR is subject to risks associated with the rate-regulation for the majority of its operations. Such processes can result in significant lags between the time when customer rates or tariffs are applied for and the time that regulatory decisions are received. Furthermore, the regulator may deny or alter the applied for customer rates or tariffs.

Under the *Alberta Regulated Rate Option Regulation*, regulated rate providers may not collect from customers an amount undercharged due to a billing error if the consumption occurred more than 12 months before the date of the revised billing.

The AUC sets rates intended to permit the regulated Energy Services' RRO customer services business to recover forecast costs of providing service plus a fair return margin.

The AUC sets rates intended to permit the regulated Transmission business to recover forecast costs of providing service plus a fair return on equity.

The AUC utilizes a performance based regulation (PBR) structure for electricity and natural gas distribution utilities in Alberta. Under PBR, EPCOR's annual distribution rates are set by a formula that is generally equal to last year's rate plus an inflation factor less a productivity factor plus a provision for additional approved capital additions. Capital projects are applied for as a separate capital application (capital tracker) annually. Our ability to recover the actual costs of providing service and to earn a fair return is dependent upon maintaining cost increases at or below inflation, achieving the productivity factor and not exceeding the approved capital additions, all as defined by the PBR formula.

In November 2013, the AUC issued a decision in the Utility Asset Disposition Review (UADR) proceeding directing that certain gains or losses due to extraordinary retirement of assets be borne by shareholders and not to be reflected in customer rates. This UADR decision and related decisions are being appealed by the Alberta utilities to the Alberta Court of Appeal and the appeal is scheduled to be heard in the second quarter of 2015.The extent to which this decision, if not overturned on appeal, will impact utilities is not known at this time. The AUC has asked participants in the current Generic Cost of Capital proceeding to comment on whether the UADR and related decisions should have any impact on the utility's capital structure or return on equity.

EPCOR's water treatment and distribution services to customers within Edmonton are rate regulated by Edmonton City Council pursuant to the 2012-2016 Performance Based Regulation (PBR) Bylaw. Edmonton City Council approved a renewal of the 2012-2016 PBR Bylaw in October 2011 for the five-year period commencing April 1, 2012. The renewal also incorporated the costs associated with the provision of wastewater treatment services supplied from the Gold Bar wastewater treatment plant. Rates approved under this bylaw are intended to allow the Company the opportunity to recover its operating costs and earn a return on equity, as well as provide an incentive to manage cost increases below inflation. Our ability to fully recover operating and capital costs and to earn a fair return is dependent upon achieving the performance targets prescribed in the bylaw, maintaining cost increases below inflation, managing operational risks and not exceed approved capital additions.

Rates for water sales to regional water commissions surrounding Edmonton are regulated by the AUC on a complaints-only basis. EPCOR sets the rates it charges to the regional water commissions to recover actual operating and capital costs including a reasonable rate of return. If the regional water commissions disagree with the rates charged by EPCOR, they can lodge a complaint with the AUC. The AUC will review the complaint and could set by way of order the rates charged by EPCOR.

Water and wastewater services in the U.S. are provided by EPCOR's U.S. subsidiaries and are subject to state laws and regulation by the state regulatory commissions within Arizona and New Mexico. Rates and services in

Arizona are regulated by the Arizona Corporation Commission using cost-of-service principles applied to a historical test year. Rates and service in New Mexico are regulated by the New Mexico Public Regulation Commission. The rates are also determined using cost-of-service principles applied to a historical test year. Our ability to fully recover operating and capital costs and earn a fair return is dependent upon achieving our capital and operating cost targets built into the rates, and meeting the customer growth and water usage targets built into the rates. Since rates are established on a historical cost basis, any new capital additions for water or wastewater infrastructure must be carefully planned and evaluated before commencement since the addition of such costs to the regulatory rate base for subsequent recovery will only take place after the new infrastructure is built and the regulator approves the rate base additions through the rate application process. Accordingly, there will be time lags for cost recovery and potential cost disallowances.

Political and Legislative Risk

EPCOR is subject to risks associated with changing political conditions and changes in federal, provincial, state, local or common law, regulations and permitting requirements in Canada and the U.S. It is not possible to predict changes in laws or regulations that could impact the Company's operations, income tax status or ability to renew permits as required.

Electricity Price and Volume Risk

EPCOR sells electricity to RRO customers under a RRT. All electricity for the RRO customers is purchased in real time from the AESO in the spot market. Under the RRT, the amount of electricity to be economically hedged, the hedging method and the electricity selling prices to be charged to these customers is determined by the EPSP. Under the EPSP, the Company uses financial contracts to economically hedge the RRO requirements and incorporate the price into customer rates for the applicable month. Fixed volumes of electricity are economically hedged using financial contracts-for-differences up to 120 days in advance of the month in which the electricity (load) is consumed by the RRO customers. The volume of electricity hedged in advance is based on load (usage) forecasts for the consumption month. When consumption varies from forecast consumption patterns, EPCOR is exposed to prevailing market prices when the volume of electricity hedged is short of actual load requirements or greater than the actual load requirements (long). Exposure to variances in electricity volume can be exacerbated by other events such as unexpected generation plant outages and unusual weather patterns.

The contracts-for-differences are referenced to the AESO electricity spot price and any movement in the AESO price results in changes in the contract settlement amount. If the risks of the EPSP were to become untenable, EPCOR could test the market and potentially re-contract the procurement risk under an outsourcing arrangement at a certain cost that would likely increase procurement costs and reduce margins.

Strategy Execution Risk

Our growth strategy is dependent on the development, acquisition and operation of water and wastewater infrastructure for municipal, commercial and industrial customers primarily in Western Canada and the Southwestern U.S. The oil sands market could be potentially delayed by postponement of capital projects and depressed oil prices. Should these markets not develop as quickly or as fully as envisioned, the Company's growth plans could be similarly delayed.

EPCOR's growth strategy is also dependent on the development or acquisition of new electricity distribution and transmission assets. Such growth is dependent on opportunities in the marketplace which will be impacted by the willingness of parties to sell such assets, political and public sentiment regarding third party ownership and EPCOR's cost competitiveness. These risks could result in delays or curtailment of EPCOR's growth plans.

Business development projects, including acquisitions, can take a relatively long period of time to execute, exposing such projects to event and external factor risks that may emerge and thereby alter project economics or completion.

For each new business development project, EPCOR seeks to ensure project success by addressing project risks, including events and external factors, as part of its due diligence process.

Health and Safety Risk

Our operations have hazardous elements, like high voltage electricity and hazardous chemicals that could have adverse health and safety consequences to our employees, on-site suppliers and customers. Our operations are subject to the risks of a widespread influenza outbreak or other pandemic illness. We have developed plans in Canada and the U.S. to respond to a potential pandemic to help maintain a sufficient healthy workforce and enable the Company to deliver reliable power and water to customers in such an event.

We manage health and safety risks through a company-wide health and safety management program and measure health and safety performance against recognized industry and internal performance measures. We conduct external and internal compliance and conformance audits to verify that our health and safety management system meets or exceeds all regulatory requirements. We are committed to working with industry partners to share and improve health and safety within the industry. In 2014, all of our Edmonton water and wastewater facilities became OHSAS 18001 registered.

Information Technology Related Security Risks

We use several key information technology systems to support our core operations such as electricity and water distribution network control systems, electricity and water plant control systems and electricity settlement and billing systems. These systems and the associated hardware are vulnerable to malfunction and unauthorized access via the internet, including cyber-attacks, which could divert Company assets or otherwise disrupt operations. We take measures to reduce the risk of malicious corruption or failure of these systems and the hardware and network infrastructure on which they operate, as well as theft or corruption of electronic data.

We regularly monitor our information technology protection systems and periodically employ third-party security providers to test the effectiveness and to strengthen the system as new cyber threats arise.

Environment Risk

There are a variety of environmental risks associated with EPCOR’s water and wastewater operations and its electricity distribution and transmission businesses. EPCOR’s power and water operations are subject to laws, regulations, and operating approvals which are designed to reduce the impacts on the environment.

Risks associated with electricity distribution and transmission operations include the unintended environmental release of substances such as oil from its oil-filled pipe-type cable, hydraulic oil and polychlorinated biphenyl transformer fluid. An environmental event could materially and adversely impact EPCOR’s business, prospects, reputation, financial conditions, operations or cash flow. Furthermore such incidents could result in spills or emissions in excess of those permitted by law, regulations or operating approvals.

Environmental risks associated with water and wastewater operations include water supply, wastewater discharge, biogas release, and residuals management. EPCOR’s water operations are regulated with stringent water and wastewater treatment standards and controls covering quality of treated water and wastewater effluent, the number, frequency and form of water quality testing, as well as mandatory improvements to the water and wastewater treatment processes. Water and wastewater technologies and supporting processes are continuing to evolve and be influenced by more stringent regulation and environmental challenges. Failure to identify and deploy viable new technologies to meet these regulations and challenges could undermine the competitiveness of EPCOR’s market position and exclude it from some market opportunities.

We seek to ensure that we comply, in all material respects, with the laws, regulations and operating approvals affecting our facilities, and minimize the potential for incidents by incorporating environmental management practices in our strategy, policies, processes and procedures. To achieve this, we require each facility to have an environmental management system (EMS) which is based on ISO 14001 standard. These systems encompass the identification of the scope, objectives, training and stewardship of our environmental responsibility. Each plant and facility is also subject to third party environmental audits to help ensure conformance with the EMS and compliance with all regulations. The Edmonton waterworks system (including the Rossdale and E.L. Smith water treatment plants) achieved EnviroVista Champion status as of June 2011. In 2014 Gold Bar wastewater treatment plant received its ISO 14001 Environmental Management System registration.

In Arizona, we obtain surface water primarily from the Central Arizona Project canal to treat and sell to customers. The Central Arizona Project conducts water quality testing upstream of the take-off points and has a formal notification process in place to notify our Arizona operations of any water quality issues that may arise. Process and compliance sampling results are stringently analyzed and trended for all groundwater and surface water systems in Arizona and New Mexico to ensure systems continue to meet all regulatory standards. Each system in Arizona and New Mexico has an Emergency Operations Plan which addresses environmental water quality issues and provides further risk mitigation.

There are no formal watershed protection groups in the Arizona and New Mexico service areas. The Arizona Department of Environmental Quality and New Mexico Environment Department each manage their respective water systems. Wells in Arizona and New Mexico are protected from contamination by proper well construction and system operation and management.

Compliance with future environmental legislation may require material capital and operating expenditures. Failure to comply could result in fines and penalties or the regulator could force the curtailment of operations. There can be no assurances that compliance with or changes to environmental legislation will not materially and adversely impact EPCOR’s business, prospects, financial conditions, operations or cash flow.

Project Risk

Our construction and development of water and wastewater treatment facilities and electricity transmission and distribution infrastructure and acquisition activities are subject to various engineering, construction, stakeholder, government and environmental risks. These risks can translate into performance issues, delays and cost overruns. Project delays may defer expected revenues and project cost overruns could make projects uneconomic. Our ability to complete projects successfully depends upon numerous factors such as unexpected cost increases, ability of third parties to access financing or credit facilities, accidents, weather, civil disobedience, availability of skilled labor, strikes and regulatory matters. Many of the water and wastewater growth projects currently pursued by the Company require design and construction capabilities that are provided by third parties. In order to pursue these projects, strategic partnerships have been established with reputable firms that have an established track record of infrastructure design and construction. Should these partnerships dissolve or are not recognized by the market as a viable approach, the Company’s growth plans could potentially be curtailed.

We attempt to mitigate project risks by performing detailed project analysis and due diligence prior to and during construction or acquisition, and by entering into appropriate contracts for various services to be provided as required.

Weather Risk

Weather can have a significant impact on our operations. Melting snow, freeze / thaw cycles and seasonal precipitation in the North Saskatchewan River watershed affect the quality of water entering our Edmonton water treatment plants and the resulting cost of purification. Weather variability and seasonality also impact the demand and supply of water and electricity in our respective businesses in both Canada and the U.S.

Extreme weather can cause damage to electricity distribution and transmission equipment and wires, temporarily disrupting the reliable supply of power to customers and can cause unpredictability in the demand for power. Unseasonal temperature changes can cause water main breaks temporarily disrupting the reliable supply of water to customers.

Weather that varies significantly from historical norms can result in changes in the quantity and pattern of provincial power consumption. EPCOR procures power to service its RRO customers in advance of the consumption month and the quantity procured is based on historical weather and usage patterns. Unseasonal temperatures can cause a mismatch between the power procured in advance of the consumption month and actual customer usage, resulting in unexpected variances in income from the RRO business.

Financial exposures associated with extreme weather are partly mitigated through our insurance programs.

Financial Liquidity Risk

EPCOR's internally generated cash flows from operating activities do not provide sufficient capital to undertake or complete ongoing or future development, enhancement opportunities or acquisition plans and accordingly, the Company requires additional financing from time to time. The ability of the Company to arrange such financing will depend in part upon prevailing market conditions at the time, the Company's business performance as well as the ability to sell additional interests in Capital Power. If the Company's revenues or cash flows decline, it may not have the capital necessary to undertake or complete all the initiatives. There can be no assurance that debt or equity financing will be available or that cash generated by operations will be sufficient to meet these requirements or for other corporate purposes. Furthermore, if financing is available, there can be no assurance that it will be on terms acceptable to the Company. The inability of the Company to access sufficient capital for its operations could have a material adverse effect on the Company's business, prospects and financial condition. Further discussion is included in Liquidity and Capital Resources in this MD&A.

The Company manages liquidity risk through regular monitoring of cash and currency requirements by preparing short-term and long-term cash flow forecasts and also by matching the maturity profiles of financial assets and liabilities to identify financing requirements. EPCOR's financial risks are governed by a Board-approved financial exposure management policy, which is administered by EPCOR's Treasurer.

Availability of People

Our ability to continuously operate and grow the business is dependent upon retaining and developing sufficient labor and management resources. As with most organizations, the Company is facing the demographic shift where a large number of employees are expected to retire over the next few years. Failure to secure sufficient qualified technical and leadership talent may impact EPCOR's operations or increase expenses.

We believe that we employ good human resource practices and in 2015, we were named a top 70 employer in Alberta by Mediacorp Canada Inc. We continue to monitor developments and review our human resource strategies so that we have an adequate supply of labor and management. Weak crude oil prices and a softening economic outlook for Alberta may translate into greater labour availability that could be beneficial to the Company.

Counterparty Credit Risk

Credit risk is the possible financial loss associated with the ability of counterparties to satisfy their contractual obligations to EPCOR, including payment and performance.

We manage credit risk and limit exposures through our credit policies and procedures. These include an established credit review, rating and monitoring process, specific terms and limits, appropriate allowance provisioning and use of credit mitigation strategies, including collateral arrangements.

EPCOR's credit risks are governed by a Board-approved counterparty credit risk management policy, which is administered by EPCOR's Treasury function.

Exposure to credit risk for residential RRO customers and commercial customers under default electricity supply rates are generally limited to amounts due from the customers for electricity consumed but not yet paid for.

This portfolio is reasonably well diversified with no significant credit concentrations. Historically, credit losses in these customer segments have not been significant and depend in large part on the strength of the economy and the ability of the customers to effectively manage their financial affairs through economic cycles and competitive pressures. While electricity is considered an essential service, EPCOR may experience credit losses in the future should economic conditions deteriorate.

EPCOR's exposure to RRO and default customer credit risk, which is primarily the risk of non-payment for electricity consumed by these end-use customers, is summarized below. Exposures represent the accounts receivable value for this portfolio.

($ millions) **December 31,**	**2014**	**2013**
RRO and default supply customers[1, 2]	$ 139	$ 161

1 Under the *Alberta Electric Utilities Act*, EPCOR provides electricity supply in its service area to RRO eligible customers and those commercial and industrial customers in its service areas who have not chosen a competitive offer and consume electricity under default supply arrangements.

2 EPCOR monitors credit risk for this portfolio at the gross exposure level rather than by individual customer account. Previously, RRT regulations allow for the recovery of forecasted credit losses relating to RRT and for the recovery of a percentage of unforecasted credit losses through a deferral account. Effective January 1, 2014, the deferral account used for the recovery of a percentage of unforecasted credit losses was dissolved thereby removing the recovery of a percentage of unforecasted credit loss.

The year-over-year decrease in exposure relates to lower customer volumes and rates.

Exposures to credit risk in our rate-regulated and non-rated-regulated water businesses are generally limited to amounts due from the customers for water consumed and wastewater discharged but not yet paid for, as well as amounts for water management services provided under contracts to municipal and industrial customers.

This portfolio is reasonably well diversified with no significant credit concentrations. While water is considered an essential service, EPCOR may experience credit losses in the future should economic conditions deteriorate. EPCOR's exposure to rate-regulated and non-rate-regulated customer credit risk, which is primarily the risk of non-payment for water consumed by these end-use customers, is summarized below. Exposures represent a 60-day potential accounts receivable value for this portfolio.

($ millions) **December 31,**	**2014**	**2013**
Unrated customers	$ 39	$ 40
Rated customers[1]	16	35

1 Rated customers have investment grade credit ratings which are based on the Company's internal criteria and analyses, which take into account, among other factors, the investment grade ratings of external credit rating agencies when available.

Foreign Exchange Risk

The Company is exposed to foreign exchange risk on foreign currency denominated transactions, firm commitments, monetary assets and liabilities denominated in a foreign currency and on its net investments in foreign entities.

The Company's financial exposure management policy attempts to minimize economic and material transactional exposures arising from movements in the Canadian dollar relative to the U.S. dollar or other foreign currencies. The Company's direct exposure to foreign exchange risk arises on capital expenditure commitments denominated in U.S. dollars or other foreign currencies and U.S. operations. The Company coordinates and manages foreign exchange risk centrally, by identifying opportunities for naturally occurring opposite movements and then dealing with any material residual foreign exchange risks. The Company's exposure to foreign exchange risk on its investment in foreign entities is partially mitigated by foreign-denominated financing.

The Company may use foreign currency forward contracts to fix the functional currency of its non-functional currency cash flows thereby reducing its anticipated U.S. dollar denominated transactional exposure. The Company looks to limit foreign currency exposures as a percentage of estimated future cash flows.

Conflicts of Interest

Certain conflicts of interest could arise as a result of EPCOR's relationship with the City, EPCOR's sole common shareholder and regulator for water and wastewater utility rates in Edmonton.

Certain directors of EPCOR are directors of Capital Power. The Board of Directors of Capital Power currently has 11 members, two of whom are EPCOR nominated directors. The Chairman of the Board of Directors of Capital Power was the Chief Executive Officer of EPCOR until March 5, 2013 and an executive advisor until December 31, 2013.

General Economic Conditions, Business Environment and Other Risks

The following factors could materially adversely impact EPCOR's business, prospects, financial condition, results of operations or cash flows: fluctuations in interest rates, product supply and demand, market competition, risks associated with technology, general economic and business conditions, EPCOR's ability to make capital investments and the amounts of capital investments, risks associated with existing and potential future lawsuits and other regulations, assessments and audits (including income tax) against EPCOR and its subsidiaries, political and economic conditions in the geographic regions in which EPCOR and its subsidiaries operate, difficulty in obtaining necessary regulatory approvals, a significant decline in EPCOR's reputation and such other risks and uncertainties described from time to time in EPCOR's reports and filings with the Canadian Securities authorities.

The following table outlines our estimated sensitivity to specific risk factors as at December 31, 2014. Each sensitivity factor provides a range of outcomes assuming all other factors are held constant and current risk management strategies are in place. Under normal circumstances, such sensitivity factors will not be held constant but rather, will change at the same time as other factors are changing. In addition, the degree of sensitivity to each factor will change as the Company's mix of assets and operations subject to these factors changes.

($ millions, except as otherwise noted) **Factor**	**Change**	**Annual cash flow**	**Annual net income**
Increase in RRO customers	+2.5%	+0.7	+0.7
Decrease in RRO customers	-2.5%	-0.7	-0.7
Increase in water consumption	+5.0%	+12.5	+12.5
Decrease in water consumption	-5.0%	-12.5	-12.5

Litigation Update

The Company is not involved in any material litigation at this time.

CONTROLS AND PROCEDURES

For purposes of certain Canadian securities regulations, EPCOR is a venture issuer. As such, it is exempt from certain of the requirements of National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings. Accordingly, the Chief Executive Officer and Chief Financial Officer have reviewed the annual information form, annual financial statements and annual MD&A, for the year ended December 31, 2014. Based on their knowledge and exercise of reasonable diligence, they have concluded that these materials fairly present in all material respects the financial condition, results of operations and cash flows of the Company for the periods presented.

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 financial statements.

Electricity Revenues, Costs and Unbilled Consumption

Due to the lag time between customer electricity consumption and receipt of final billing consumption information from the load settlement agents, the Company must use estimates for determining the amount of electricity consumed but not yet billed. These estimates affect accrued revenues and accrued electricity costs of the Energy Services segment. There are a number of variables and judgments required in the computation of these significant estimates, and the underlying electricity settlement processes within EPCOR and the Alberta electric systems are complex. Such variables and judgments include the number of unbilled sites, and the amount of and rate classification of the unbilled electricity consumed. Owing to the factors above and the statutory delays in final load settlement determinations and information, adjustments to previous estimates could be material. Estimates for unbilled consumption averaged approximately $62 million at the end of each month in 2014 (2013 - $69 million). These estimates varied from $48 million to $73 million (2013 - $61 million to $80 million). Adjustments of estimated revenues to actual billings were not higher than $2 million per month in 2014 (2013 - $3 million).

Fair Values

We are required to estimate the fair value of certain assets or obligations for determining the valuation of certain financial instruments, asset impairments, asset retirement obligations and purchase price allocations for business combinations, and for determining certain disclosures. Significant judgment is applied in the determination of fair values including the choice of discount rates, estimating future cash flows, and determining goodwill. Following are the descriptions of the key fair value methodologies relevant for 2014.

Fair values of financial instruments are based on quoted market prices when these instruments are traded in active markets. In illiquid or inactive markets, the Company uses appropriate price modeling to estimate fair value. Fair values determined using valuation models require the use of assumptions concerning the amounts and timing of future cash flows and discount rates.

The Company reviews the valuation of long-lived assets subject to amortization when events or changes in circumstances may indicate or cause a long-lived asset’s carrying amount to exceed the total undiscounted future cash flows expected from its use and eventual disposition. An impairment loss, if any, will be recorded as the excess of the carrying amount of the asset over its fair value, measured by either market value, if available, or estimated by calculating the present value of expected future cash flows related to the asset.

Estimates of fair value for long-lived asset impairments are mainly based on depreciable replacement cost or discounted cash flow techniques employing estimated future cash flows based on a number of assumptions, including the selection of an appropriate discount rate. The cash flow estimates will vary with the circumstances of the particular assets or reporting unit and will primarily be based on the lives of the assets, revenues and expenses, including inflation, and required capital expenditures.

Income Taxes

EPCOR follows the asset and liability method of accounting for income taxes. Income taxes are determined based on estimates of our current taxes and estimates of deferred taxes resulting from temporary differences between the carrying values of assets and liabilities in the financial statements and their tax values. Deferred tax assets are assessed and significant judgment is applied to determine the probability that they will be recovered from future taxable income. For example, in estimating future taxable income, judgment is applied in determining the Company's most likely course of action and the associated revenues and expenses. To the extent recovery is not probable a deferred tax asset is not recognized. Estimates of the provision for income taxes and deferred tax assets and liabilities might vary from actual amounts incurred.

Estimated fair values and useful lives are used in determining potential impairments for each long-lived asset, which will vary with each asset and market conditions at the particular time. Similarly, income taxes will vary with taxable income and, under certain conditions, with fair values of assets and liabilities. Accordingly, it is not possible to provide a reasonable quantification of the range of these estimates that would be meaningful to readers.

Impact of Current Market Conditions on Estimates

Although the current condition of the economy has not impacted our methods of estimating accounting values, it has impacted the inputs in those determinations and the resulting values. Future cash flow estimates for assessing long-lived assets for impairment were updated to reflect any increased uncertainties of recoverability. The assessments did not result in any impairment losses because a large portion of the Company's long-lived assets are subject to rate-regulation. Similarly, the assessment of the useful lives of our long-lived assets did not change since many of our distribution and transmission assets and water assets located in Edmonton and surrounding area are amortized based on rates approved by the applicable regulator. Our valuation models for estimating the fair value of long-lived asset impairments depend partly on discount rates which were updated to reflect changes in credit spreads and market volatility. Our investment in Capital Power was also assessed for impairment using current market values. Our methods for determining the allowance for doubtful accounts are based on historical rates of bad debts in relation to the aged accounts receivable balances by customer group for RRO and default customer bases. These analyses did not reveal any significant changes in our assessment of the recoverability of accounts receivable at December 31, 2014.

NON-IFRS FINANCIAL MEASURE

We use income from core operations to distinguish operating results from the Company's core water and electricity businesses from results with respect to its investment in Capital Power. It is a non-IFRS financial measure, which does not have any standardized meaning prescribed by IFRS and is unlikely to be comparable to similar measures published by other entities. However, it is presented since it provides a useful measure of the company's core operations and it is referred to by debt holders and other interested parties in evaluating the Company's financial position and in assessing its creditworthiness.

OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2014, the Company's transactions in other comprehensive income included the following:

- The Company's share of other comprehensive income of Capital Power of $8 million (2013 – $10 million of other comprehensive loss).
- The reclassification to net income of retained power generation business accumulated other comprehensive loss upon the sale of a portion of the investment in Capital Power of nil (2013 – $3 million of other comprehensive loss).
- Re-measurement loss on defined benefit pension plans of $7 million (2013 – $3 million of other comprehensive gain).
- Foreign exchange gain on U.S. operations of $27 million (2013 - $17 million of other comprehensive gain).

FOURTH QUARTER REVIEW AND QUARTERLY RESULTS

(Unaudited, $ millions) **Quarters ended**	**Revenues**	**Net Income**
December 31, 2014	$ 499	$ 75
September 30, 2014	506	23
June 30, 2014	435	55
March 31, 2014	464	38
December 31, 2013	492	23
September 30, 2013	515	50
June 30, 2013	469	45
March 31, 2013	453	57

Events for 2014 and 2013 quarters that have significantly impacted net income and cash flows and the comparability between quarters are:

- December 31, 2014 fourth quarter results included higher approved water and electricity customer rates, recovery of deferred income taxes due to the recognition of loss carry forwards as a result from an increase in forecasted taxable income in Energy Services, gain on dilution of interest in Capital Power and higher income from our equity share of Capital Power, partially offset by higher depreciation on capital assets in service, lower fair value adjustments on interest rate swap and financial electricity purchase contracts, and lower capitalized interest due to lower capital spend during the period.
- September 30, 2014 third quarter results included higher favorable fair value adjustments on financial electricity purchase contracts and higher approved water and electricity customer rates, partially offset by lower income from our equity share of Capital Power.
- June 30, 2014 second quarter results included higher favorable fair value adjustments on financial electricity purchase contracts and higher approved water and electricity customer rates, partially offset by lower income from our equity share of Capital Power.
- March 31, 2014 first quarter results included lower income from our equity share of Capital Power and higher unfavorable fair value adjustments on financial electricity purchase contracts, partially offset by higher approved water and electricity rates.
- December 31, 2013 fourth quarter results included increased income primarily due to a lower impairment charge related to the investment in Capital Power, higher income from our equity share of Capital Power and increased income from higher approved water and electricity customer rates, partially offset by a loss on sale of the partial investment in Capital Power.
- September 30, 2013 third quarter results included lower income primarily due to higher transmission flow-through charges not yet approved to be billed to customers and lower income from our equity share of Capital Power, partially offset by increased income from higher approved water customer rates.
- June 30, 2013 second quarter results included increased income primarily due to higher approved customer water rates, higher electricity system access rates, higher transmission tariff revenues and higher income from our equity share of Capital Power, partially offset by higher transmission flow-through charges not yet approved to be billed to customers.
- March 31, 2013 first quarter results included increased income primarily due to higher approved water rates, a refund from the AESO for the true-up of 2011 transmission flow-through charges, and lower losses on selling excess electricity purchased, partially offset by lower income from our equity share of Capital Power and lower favorable fair value adjustments on financial electricity purchase contracts.

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.

The purpose of forward-looking information is to provide investors with management’s assessment of future plans and possible outcomes and may not be appropriate for other purposes.

Material forward-looking information within this MD&A, including related material factors or assumptions and risk factors, are noted in the table below:

Forward-looking Information	Material Factors or Assumptions	Risk Factors
EPCOR’s projected cash requirements for 2015 includes $350 million to $450 million for capital expenditures and acquisitions, and $141 million for common share dividends.	EPCOR is able to complete its 2015 capital expenditure program on time and on budget and no material business or asset acquisitions are closed in the year. The EPCOR Board of Directors does not revise the dividend to the City.	EPCOR is successful in closing an unplanned acquisition or unforeseen circumstances result in construction delays. The Board of Directors approves a revised dividend to the City.
The Company expects to have sufficient liquidity to finance its plans and fund its obligations in 2015.	EPCOR is able to generate the expected cash flow from operations and various means of funding remain available to the Company.	EPCOR’s operations do not generate the expected level of cash flow and / or circumstances arise limiting or restricting the Company’s ability to access funds through the various means otherwise available.
EPCOR plans to eventually sell all or a substantial portion of its ownership interest in Capital Power.	EPCOR is able to find suitable lower-risk businesses and / or assets to invest the sell-down proceeds in. Market conditions permit the sale of Capital Power shares at a price suitable to EPCOR.	EPCOR is unsuccessful in finding suitable businesses and / or assets to invest in, therefore negating further sell downs to raise funds. The market price of Capital Power shares declines to an amount that EPCOR no longer deems it feasible to sell all or substantially all of its interest in Capital Power.

The following table provides a comparison between actual results and future-oriented-financial information previously disclosed:

Material 2014 Objectives Previously Disclosed		**Actual Result**	**Explanation of Material Differences from Objectives**
The Company's portion of the Heartland Transmission Project	$267 million	$274 million	Increase of $7 million due to construction and weather delays.
Energy Services expects 2014 RRT sales volumes be lower than 2013 due to continued decline in customer sites	Lower than 5,161 gigawatt-hours	5,085 gigawatt-hours	As expected.
2014 Capital expenditures	$300 million to $400 million	$385 million	Within range.
Dividends	$141 million	$141 million	No difference.
2014 Interest payments	$118 million	$118 million	No difference.
Repayments of long-term loan and borrowings net of sinking fund payments received	$11 million	$16 million	Increase of $5 million due to early settlement of private debt notes.

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 to differ from expectations and are discussed in the Risk Factors and Risk Management section above.

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.

ADDITIONAL INFORMATION

Additional information relating to EPCOR including the Company's 2014 Annual Information Form is available on SEDAR at www.sedar.com.