EPCOR Utilities Inc.

Management's Discussion and Analysis December 31, 2015

This management's discussion and analysis (MD&A), dated March 3, 2016, should be read in conjunction with the audited consolidated financial statements of EPCOR Utilities Inc. for the years ended December 31, 2015 and 2014, including standards and interpretations not yet applied (note 3(w)), related party transactions (note 27) and financial instruments (note 28), 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. 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 3, 2016.

OVERVIEW

EPCOR is wholly owned by The City of Edmonton (the City). EPCOR, through wholly owned subsidiaries, builds, owns and operates electrical transmission and distribution networks, water and wastewater treatment facilities and infrastructure in Canada and the United States (U.S.) and provides Regulated Rate Option (RRO) and default supply electricity related services and also sells electricity and natural gas to Alberta residential consumers under contracts through its Encor brand. EPCOR's water business provides water purification, water distribution, wastewater treatment and related management services within the city of Edmonton and several other communities in Western Canada and the Southwestern U.S., and provides similar services and water and wastewater plant financing and construction services to industrial customers in Western Canada.

Net income for the year ended December 31, 2015, was $260 million compared with net income of $191 million for 2014. The increase of $69 million was due in part to higher approved water and electricity customer rates, higher water consumption, dividend income from our investment in Capital Power, favorable fair value adjustments related to financial electricity purchase contracts, and lower income tax expense due to the re-organization of Energy Services part way through 2014. Partially offsetting these increases was higher delivery service fees in our Distribution and Transmission segment.

EPCOR's core operations performed well in the year without any significant issues or disruptions to customers. Net income from core operations for the year ended December 31, 2015, was $247 million compared with net income from core operations of $166 million for 2014, as described in the net income table on page 5 of this MD&A. The increase in income from core operations for the year ended December 31, 2015, was driven in part by higher approved water and electricity customer rates, higher water consumption and higher favorable fair value adjustments related to financial electricity purchase contracts. Income from core operations is a non-IFRS financial measure as described in Net Income on page 4 of this MD&A.

STRATEGY

EPCOR's vision is to be a premier essential services utility company in North America, trusted by our customers and valued by our shareholder. 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 areas. 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, water scarcity and increased consumer expectations for reliable power and 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 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 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 composed 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 the corporate shared service group in alignment with the Company's strategy. For example, under the health, safety and environment category, safety performance is based on total recordable 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.

Recordable injury frequency rates for EPCOR overall were better (lower) in 2015 as compared to 2014. Further organizational refinements in 2016 will allow us to increase our attention to health and safety. We continue to strive towards a zero injury culture in which we believe all injuries are preventable. Segment performance measures are discussed under Segment Results of this MD&A.

SIGNIFICANT EVENTS

Impairment of Available-for-sale Investment in Capital Power

At December 31, 2015, the quoted market price of the common shares of Capital Power was $17.77 per share. Management used judgment to determine that the fair value of its investment in Capital Power had declined significantly since April 2, 2015, when it was initially reclassified as an available-for-sale asset at $24.11 per share. Accordingly, management has concluded the available-for-sale investment in Capital Power was impaired. As a result, the Company recognized an impairment charge and reclassified the accumulated loss of $60 million before tax from other comprehensive income to net income.

New Canadian Base Shelf Prospectus

On November 27, 2015, the Company filed a new Canadian base shelf prospectus. The Canadian base shelf prospectus allows the Company to raise up to $1 billion of debt with maturities of not less than one year and expires in December 2017.

Sale of White Rock Water Assets

In September 2015, the City of White Rock signed an agreement with EPCOR to purchase from the Company the water utility that services White Rock. The agreement received regulatory approval and the City of White Rock took over full operations of the water utility effective October 30, 2015. The disposition of the assets did not have a material impact on the Company or its operations.

Appointment of Nizar Somji to the Board of Directors

On September 11, 2015, Nizar Somji was appointed to the Board of Directors of the Company.

Gain on Sale and Reclassification of Investment in Capital Power

In April 2015, EPCOR exchanged 9,450,000 limited partnership units for an equal number of common shares of Capital Power Corporation, which were immediately sold at an offering price of $23.85 per share for aggregate gross proceeds of $225 million. As a result of this transaction, the Company recognized a net gain before income tax of $24 million in net income, including $5 million on items previously recognized in other comprehensive income. In addition, EPCOR exchanged all of its remaining 9,391,000 exchangeable limited partnership units for common shares of Capital Power Corporation. Following the completion of the offering, EPCOR directly owned 9% of Capital Power and as a result, the Company no longer exerts significant influence over Capital Power. Accordingly, the Company reclassified its remaining investment in Capital Power as an available-for-sale asset at the market value of $24.11 per share. On initial recognition of investment in Capital Power as an available-for-sale asset, the Company recognized a net gain before income tax of $36 million in net income including $6 million on items previously recognized in other comprehensive income.

Appointment of Stuart Lee as President and Chief Executive Officer

In April 2015, David Stevens, EPCOR President and Chief Executive Officer, announced he would be retiring from EPCOR. Mr. Stevens remained in his position until September 1, 2015. The Board of Directors appointed Stuart Lee as the new EPCOR President and Chief Executive Officer effective September 1, 2015.

Termination of Suncor Financing and Operating Agreements

In February 2015, Suncor gave the Company notice that it would exercise its contractual rights to buy back the leased assets and terminate the related financing and operating agreements including the transfer of assets and operations back to Suncor over an 18-month period. The first lease repayment of $26 million was received and the associated assets were transferred in September 2015 and the remaining assets will be transferred by September 2016 unless otherwise agreed by the parties. Based on the above, the Company has reclassified its finance lease receivables and other financial assets from Suncor to trade and other receivables. This event is not expected to have a material impact on the Company or its operations.

CONSOLIDATED FINANCIAL INFORMATION

($ million) **Years ended December 31,**	**2015**	**2014**	**2013**
Revenues	$ 1,996	$ 1,904	$ 1,929
Net income	260	191	175
Total assets	6,088	5,738	5,447
Cash and cash equivalents	36	37	130
Loans and borrowings (including current portion)	2,019	1,977	1,972
Short-term borrowings during the year	98	103	-
Provisions (including current portion)	160	135	109
Other financial liabilities (including current portion)	27	25	28
Common share dividends	141	141	141

Revenues

($ millions)	
Revenues for the year ended December 31, 2014	**$ 1,904**
Higher Water Services segment revenues	110
Higher electricity Distribution and Transmission segment revenues	53
Lower Energy Services segment revenues	(53)
Other	(18)
Increase in revenues from core operations	92
Revenues for the year ended December 31, 2015	**$ 1,996**

Consolidated revenues for the year ended December 31, 2015, increased $92 million compared with 2014 primarily due to the net impact of the following year-over-year changes:

- Water Services segment revenues were higher in 2015 compared with 2014 primarily due to higher construction revenues mainly from the Regina wastewater treatment plant project, higher approved customer rates and volumes, foreign exchange translation gains, and higher commercial revenues.
- Electricity Distribution and Transmission segment revenues were higher in 2015 compared with 2014 primarily due to higher approved electricity rates.
- Energy Services segment revenues were lower in 2015 compared with 2014 primarily due to lower electricity prices and volumes, partially offset by higher customer rates.

Net Income

We use income from core operations to distinguish operating results from the Company's 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 below as it provides a useful income performance measure of the Company's core operations and it may assist interested parties in evaluating the Company's financial position and in assessing its creditworthiness.

($ millions)		
Net income for the year ended December 31, 2014	**$**	**191**
Less: 2014 equity share of income from Capital Power (net of income tax)		(17)
Less: 2014 gain on dilution of interest in Capital Power		(8)
2014 income from core operations		**166**
Higher Water Services segment operating income		25
Higher electricity Distribution and Transmission segment operating income		29
Higher Energy Services segment operating income		22
Lower taxes on reorganization of the Energy Services segment		6
Other		5
Lower net financing expense		2
Lower deferred income tax recovery		(8)
Increase in income from core operations		81
2015 income from core operations		**247**
2015 equity share of income from Capital Power (net of income tax recovery)		5
2015 dividend income from available-for-sale investment in Capital Power		10
2015 gain on sale of a portion of investment in Capital Power (net of income tax)		23
2015 gain on reclassification of investment in Capital Power as available-for-sale investment (net of income tax)		35
2015 impairment of available-for-sale investment in Capital Power		(60)
Net income for the year ended December 31, 2015	**$**	**260**

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

- Changes in each business segment's 2015 operating results compared with 2014 are described under Segment Results below.
- The reorganization of the Energy Services segment in 2014 resulted in lower income taxes in the current period.
- Net financing expense was lower in 2015 compared with 2014 primarily due to lower unfavorable fair value adjustments related to interest rate swaps.
- Deferred income tax recovery was lower in 2015 compared with the corresponding period in 2014 due to smaller increase in forecasted taxable income as compared with 2014, partially offset by increase in future tax rates.
- EPCOR's equity share of income of Capital Power was lower in 2015 compared with 2014. This was primarily due to the Company transitioning from equity accounting to accounting for its investment in Capital Power as an available-for-sale asset following the sale of Capital Power shares in April 2015.
- Capital Power issued additional limited partnership units during 2014, resulting in the Company realizing a gain on dilution of its economic interest with no comparable transaction in 2015.
- EPCOR's dividend income from Capital Power was higher in 2015 compared with 2014. This was due to accounting for the investment in Capital Power as an available-for-sale asset in 2015, as described above.
- EPCOR recognized a gain on sale of a portion of its investment in Capital Power in 2015 with no corresponding transaction in 2014. The gain on sale resulted from net proceeds received that were higher than the carrying amount of the portion of the Company's investment in Capital Power sold. An amount previously recognized in other comprehensive income proportionate to the amount of the remaining investment sold was reclassified to net income which also contributed to the gain.

- EPCOR recognized a gain on the reclassification of the investment in Capital Power as an available-for-sale asset in 2015 with no corresponding transaction in 2014. All remaining amounts previously recognized in other comprehensive income were reclassified to net income which also contributed to the gain.
- EPCOR recognized an impairment charge on the available-for-sale investment in Capital Power in 2015 with no corresponding transaction in 2014. The decline in fair value of the available-for-sale investment in Capital Power recognized in other comprehensive income was reclassified to net income.

SEGMENT RESULTS

Water Services

EPCOR's Water business segment's primary objective is to reliably supply sufficient drinking and industrial process water, and to collect and treat wastewater while ensuring that the quality exceeds public health, environmental and industrial requirements. 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. In 2016, Water Services will be submitting a performance based rate renewal application in Canada for the 2017 to 2021 period.

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

At December 31, 2015, Water Services owned six and operated 17 other water treatment and / or distribution facilities in Alberta and British Columbia. Additionally, Water Services owned four wastewater treatment and / or collection facilities and operated 22 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 six wastewater utility districts, each containing one or more wastewater treatment and / or collection facilities.

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 2015 with no significant service interruptions.

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

During 2015, Water Services continued construction of the new wastewater treatment facility for the City of Regina under a public-private partnership, as well as operating the existing wastewater treatment facility within Regina. The new wastewater treatment facility is on schedule to be completed by December 2016.

Water Services focused on two key areas in 2015: (i) the continued upgrade and enhancement of water distribution infrastructure and water and wastewater treatment facilities; 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 2015. These projects include the annual water main renewal program to improve Edmonton's water distribution system; water distribution line relocation as a result of the City's light rail transit expansion; design and construction of booster stations to service new developments; a project which converts phosphorus in wastewater to a fertilizer that can be sold; and upgrades to pre-treatment infrastructure, lagoon supernatant treatment, and a digester at the Gold Bar wastewater treatment facility (Gold Bar).

Water Services Operating Income

(including intersegment transactions, $ millions) **Years ended December 31,**		**2015**	**2014**
Revenues	Water sales	$ 462	$ 417
	Provision of services	110	93
	Construction revenues	102	53
	Finance lease income	14	15
		688	578
Expenses	Other raw materials and operating charges	203	143
	Staff costs and employee benefits expenses	136	126
	Depreciation and amortization	89	78
	Franchise fees and property taxes	28	25
	Other administrative expenses	23	23
		479	395
Operating income before corporate charges		209	183
Corporate charges		28	27
Operating income		**$ 181**	**$ 156**

($ millions)	
Operating income for the year end ended December 31, 2014	**$ 156**
Higher approved customer rates and consumption	15
Higher foreign exchange	9
Higher industrial services margin	7
Higher municipal services margin	1
Higher staff costs and employee benefits expenses excluding industrial and municipal services	(4)
Other	(3)
Increase in operating income	25
Operating income for the year ended December 31, 2015	**$ 181**

For the year ended December 31, 2015, Water Services' operating income increased by $25 million compared with 2014 due to higher consumption, higher approved customer rates, higher foreign exchange and higher industrial services activity, partially offset by higher staff and operating costs.

Year ended December 31,	**2015**	**2014**
Water volumes (megalitres)		
Water sales for Edmonton and surrounding region	129,993	126,560
Water sales for Arizona and New Mexico	79,528	81,822

Edmonton water sales increased in 2015 compared with 2014 mainly due to higher average temperatures and lower precipitations. Arizona and New Mexico water sales decreased in 2015 compared with 2014 primarily due to higher precipitation.

Distribution and Transmission

Distribution and Transmission focuses on being a trusted provider of safe and reliable electricity, known for a focus on safety, operational excellence, innovative and practical solutions. 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). Transmission charges a rate-regulated tariff intended to allow recovery of prudent costs and earn a fair rate of return on capital invested in electricity transmission infrastructure. Distribution earns income through a performance based rate tariff charged to its customers. The performance-based rate tariff is intended to allow Distribution 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. Distribution and Transmission is responsible for providing meter reading and load settlement services for all retail electricity suppliers within the Edmonton service area and water meter reads within the city of Edmonton. 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,**		**2015**	**2014**
Revenues	Distribution	$ 408	$ 355
	Transmission	94	95
	Commercial and other	98	97
		600	547
Expenses	Electricity purchases and system access fees	175	156
	Other raw materials and operating charges	35	39
	Staff costs and employee benefits expenses	100	102
	Depreciation and amortization	69	59
	Franchise fees and property taxes	69	69
	Other administrative expenses	15	13
		463	438
Operating income before corporate charges		137	109
Corporate charges		26	27
Operating income		**$ 111**	**$ 82**

($ millions)	
Operating income for the year end ended December 31, 2014	**$ 82**
Higher distribution approved customer rates, net of expenses	25
Other	4
Increase in operating income	29
Operating income for the year ended December 31, 2015	**$ 111**

For the year ended December 31, 2015, Distribution and Transmission's operating income increased $29 million compared with 2014 primarily due to higher provincial system access fee revenue collections, higher distribution access rates and lower operating costs. This was partially offset by higher provincial system access fees.

Year ended December 31,	**2015**	**2014**
Distribution reliability volumes		
Reliability (system average interruption duration index in hours)	0.91	1.05
Electricity distribution (gigawatt-hours)	7,669	7,757

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 2015, the SAIDI was 0.91 hours compared with 1.05 in 2014. The decrease in the 2015 SAIDI was primarily a result of fewer scheduled outages and less bulk energy supply losses. 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 2015 were relatively flat year over year.

Energy Services

The Energy Services' business focuses on delivering cost effective electricity and efficient customer care through a highly skilled, knowledgeable, caring and engaged customer service team. Energy Services earns income from the supply of electricity to customers under a regulated rate tariff (RRT) and default rate (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. The RRT is intended to allow Energy Services to recover its prudent costs and earn a margin return. Customers under the RRT are residential, farm and small commercial customers who are not under a competitive contract and receive their electricity under the RRO. Energy Services also provides billing, collection, and contact center services to other EPCOR 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. These results are reported to the AUC on a quarterly basis.

Energy Services earns RRT electricity revenues based on an energy price setting plan (EPSP) approved by the AUC. 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. A new EPSP for the years 2014 – 2018 was approved by the AUC in 2015; however Energy Services remains on approved interim rates until the new plan is implemented in August 2016.

Energy Services Operating Income

(including intersegment transactions, $ millions) **Years ended December 31,**			**2015**		**2014**
Revenues	Electricity sales	$	844	$	909
	Provision of services		39		27
			883		936
Expenses	Electricity purchases and system access fees		770		846
	Staff costs and employee benefits expenses		27		25
	Depreciation and amortization		6		8
	Other administrative expenses		24		23
			827		902
Operating income before corporate charges			56		34
Corporate charges			9		9
Operating income		$	**47**	$	**25**

($ millions)		
Operating income for the year end ended December 31, 2014	**$**	**25**
Higher billing charge rates		12
Higher favorable fair value adjustments related to financial electricity purchase contracts		7
Other		2
Higher Energy Price Setting Plan margins		1
Increase in operating income		22
Operating income for the year ended December 31, 2015	**$**	**47**

For the year ended December 31, 2015, Energy Services' operating income increased $22 million due to higher billing charge rates, higher favorable fair value adjustments related to financial electricity purchase contracts, and higher EPSP margins.

Energy Services' retail sales volumes were as follows:

Year ended December 31,	**2015**	**2014**
Electricity (gigawatt hours)		
RRT	4,947	5,085
Default and Competitive Supply	761	704
Total Electricity	**5,708**	**5,789**

Energy Services' RRT sales volume decreased in 2015 compared with 2014 primarily due to a decrease in the average consumption per site. The increased Default and Competitive sales volume was primarily due to an increase in the number of sites served.

Capital Spending and Investment

($ million) **Years ended December 31,**		**2015**		**2014**		**2013**
Water Services segment		214		175		153
Electricity Distribution and Transmission segment		235		200		276
Energy Services segment		1		2		5
Corporate segment		13		8		10
		463		385		444
Business acquisition		-		-		4
Total capital spending and investment	**$**	**463**	**$**	**385**	**$**	**448**

In 2015, we continued to invest in our infrastructure assets to improve reliability and meet increasing electricity and treated water and wastewater demands. Total capital spending and investment was higher in 2015 compared with 2014 primarily due to increased spending in the Water Services segment and Distribution and Transmission segment. The Water Services segment had increased capital spend at Gold Bar, the new reservoirs at the Walker and Big Lake booster stations in Edmonton, and the Edmonton water main proactive renewals project. This was partially offset by decreased water main relocations. The Distribution and Transmission segment had increased capital spend on growth, performance improvement and lifecycle replacement projects. This was partially offset by decreased construction activity as the Heartland Transmission Project was completed in 2014.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION - ASSETS

($ millions)	December 31, 2015	December 31, 2014	Increase (decrease)	Explanation of material changes
Cash and cash Equivalents	$ 36	$ 37	$ (1)	Refer to Consolidated Statements of Cash Flows section.
Trade and other Receivables	620	333	287	Increase primarily due to an increase in current portion of finance lease receivables due from Suncor ($99 million), other financial assets (see below), and the Suncor termination fee, partially offset by lower electricity accruals and billings.
Inventories	15	14	1	
Finance lease Receivables	1	118	(117)	Decrease primarily due to re-classifying non-current lease receivables to current (recorded in trade and other receivables above) resulting from the Suncor buy-back decision and collection of the Suncor lease receivable.
Other financial assets	316	408	(92)	Decrease primarily due to portions of the Capital Power back-to-back receivable, the Regina milestone payment and Suncor unbilled construction revenue becoming current and reclassified to trade and other receivables above, partially offset by an increase to the Regina long-term receivable.
Deferred tax assets	77	69	8	Increase due to escalation in estimated tax loss carry forward utilization and an increase in income tax rates.
Investment in Capital Power	-	393	(393)	Decrease due to the sell-down of a portion of EPCOR's investment in Capital Power and ceasing equity accounting and re-classifying the investment in Capital Power to an available-for-sale asset (recorded in available-for-sale investment below).
Available-for-sale investment in Capital Power	167	-	167	Increase primarily due to ceasing equity accounting and re-classifying the investment in Capital Power to available-for-sale investment (see above). Partially offsetting these increases were fair value adjustments of the available-for-sale investment in Capital Power.
Property, plant and Equipment	4,568	4,112	456	Increase primarily due to capital expenditures and foreign currency valuation adjustments, partially offset by depreciation expense and disposals.
Intangible assets and goodwill	288	254	34	Increase primarily due to capital expenditures and foreign currency valuation adjustments, partially offset by amortization expense on intangible assets with finite lives.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION – LIABILITIES AND EQUITY

($ millions)	December 31, 2015	December 31, 2014	Increase (decrease)	Explanation of material changes
Trade and other payables	259	248	11	Increase primarily due to Regina construction and higher electricity purchases, partially offset by lower capital accruals.
Loans and borrowings (including current portion)	2,117	2,080	37	Increase primarily due to foreign currency valuation adjustments on U.S. dollar denominated debt, partially offset by repayment of long-term and short-term debt.
Deferred revenue (including current portion)	952	870	82	Increase primarily due to contributed assets received and favorable foreign currency valuation adjustments, partially offset by revenue recognized.
Provisions (including current portion)	160	135	25	Increase primarily due to contributions from developers and favorable foreign currency valuation adjustments, partially offset by lower employee benefit obligations.
Derivative liabilities (including current portion)	12	9	3	Increase primarily due to higher fair value loss on interest rate swap.
Other liabilities (including current portion)	38	37	1	
Deferred tax liabilities	35	19	16	Increase due to change in net taxable temporary differences and foreign currency valuation adjustments.
Equity attributable to the Owner of the Company	2,515	2,340	175	Increase due to increase in net income and other comprehensive income partially offset by dividends paid.

CONSOLIDATED STATEMENTS OF CASH FLOWS

($ millions) **Cash inflows (outflows)**				
Year ended December 31,	**2015**	**2014**	**Increase (decrease)**	**Explanation**
Operating	$ 416	$ 354	$ 62	Increase primarily reflects higher funds from operations, partially offset by lower non-cash operating working capital. The lower non-cash working capital is a result from a higher decrease in trade and other receivables, partially offset by a larger increase in accounts payable.
Investing	(257)	(390)	133	Increase primarily due to proceeds on sale of a portion of the investment in Capital Power, higher proceeds on disposal of property, plant and equipment, higher payments received on finance lease receivables from Suncor, and lower payments for Gold Bar transfer, partially offset by higher capital expenditure, higher advances on financial lease receivables and other assets, and lower distributions from Capital Power.
Financing	(160)	(57)	(103)	Decrease primarily due to higher repayment of short-term debt net of proceeds.
Opening cash and cash equivalents	37	130	(93)	
Closing cash and cash equivalents	$ 36	$ 37	$ (1)	

Operating Activities and Liquidity

The Company maintains its financial position through rate-regulated utility and contracted operations which generate stable cash flows.

The Company expects to have sufficient liquidity to finance its plans and fund its obligations in 2016 with a combination of cash on hand, cash flow from operating activities, interest and principal payments related to long-term loans receivable from Capital Power, the issuance of commercial paper, public or private debt offerings and drawing upon existing credit facilities described below under Financing. EPCOR plans to eventually sell all or a substantial portion of its remaining interest in Capital Power subject to market conditions, its requirements for capital and other circumstances that may arise in the future.

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 2016 include $400 million to $550 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)	2016	2017	2018	2019	2020	2021 and thereafter	Total
Water Services segment projects[1]	$ 33	$ 21	$ -	$ -	$ -	$ -	$ 54
Water Services power contracts[2]	8	9	2	-	-	-	19
Water purchase and transportation of water agreements[3]	8	1	-	-	-	3	12
Billing and customer care services agreement[4]	6	4	4	4	3	3	24
Loans and borrowings net of sinking fund payments received	239	10	409	7	7	1,446	2,118
Interest payments on loans and borrowings	115	111	99	78	78	1,184	1,665
Interest rate swaps – net[5]	1	2	2	1	1	5	12
Operating leases, net[6]	9	9	9	8	7	83	125
Total contractual obligations	$ 419	$ 167	$ 525	$ 98	$ 96	$ 2,724	$ 4,029

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

2 The Company has commitments to purchase power for its wastewater treatment plant, water treatment plants and distribution sites. The agreements expire on or before December 31, 2018. Under the terms of the agreement, the Company is committed to purchase minimum and maximum contracted quantities at a fixed price. There are no early termination or cancellation clauses in this agreement.

3 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.

4 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.

5 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 are 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 29 of the Company's audited consolidated financial statements for the year-ended December 31, 2015.

6 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	
($ millions)	2015	2014
January 1, 2016 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, net of subleases receivable, are included in the contractual obligations table above.

As at March 3, 2016, 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 (2014 - $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 syndicated bank 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, 2015**	**Expiry**	**Total facilities**	**Banking commercial paper issued**	**Letters of credit and other facility draws**	**Net amounts available**
Committed					
Syndicated bank credit facility[1]	November 2018	$ 200	$ -	$ 48	$ 152
Syndicated bank credit facility	November 2020	350	98	-	252
Total committed		550	98	48	404
Uncommitted					
Bank line of credit	No expiry	25	-	-	25
Total uncommitted		25	-	-	25
Total credit facilities		**$ 575**	**$ 98**	**$ 48**	**$ 429**

1 Restricted to letters of credit.

($ 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
Total credit facilities		**$ 575**	**$ 103**	**$ 82**	**$ 390**

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. Letters of credit totaling $48 million (2014 - $82 million) were issued and outstanding at December 31, 2015.

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. In November 2015, the $200 million committed syndicated bank credit facility was extended to November 2018 and the $350 million committed syndicated bank credit facility was extended to November 2020.

In the fourth quarter of 2015, the Company filed a new 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, 2015, the available amount remaining under this base shelf prospectus was $1 billion (2014 - $1 billion). The base shelf prospectus expires in December 2017.

Commercial paper was issued and outstanding at December 31, 2015, of $98 million (December 31, 2014 - $103 million).

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. We believe that these circumstances have a low probability of occurring. We continually monitor our capital programs and operating costs to minimize the risk that the Company becomes short of cash or unable to honor its debt servicing 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 as market conditions permit.

Credit Ratings

Years ended December 31,	2015	2014	2013
Credit ratings			
Standard & Poor's Rating Services:			
Long-term debt	A-	A-	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 August 2015, DBRS confirmed its A (low) / stable senior unsecured debt and R-1 (low) / stable short-term debt ratings for EPCOR. In September 2015, Standard & Poor's Ratings Services confirmed its A- / stable long-term corporate credit and senior unsecured debt ratings for EPCOR.

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 primarily through its remaining long-term loans receivable from Capital Power. As the investment interest in Capital Power and the 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 in relation to its syndicated bank credit facilities, Canadian public medium-term notes and U.S. private-debt notes. Based on current financial covenant calculations, the Company has sufficient borrowing capacity to fund current and long-term requirements. Although the risk is low, breaching these covenants 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, 2015 and December 31, 2014 were as follows:

	Actual 2015	Financial Covenant 2015	Actual 2014	Financial Covenant 2014
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]	45%	< or = 70%	46%	< or = 70%
Interest coverage ratio[3]	6.21	> or = 1.75:1.00	4.49	> 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

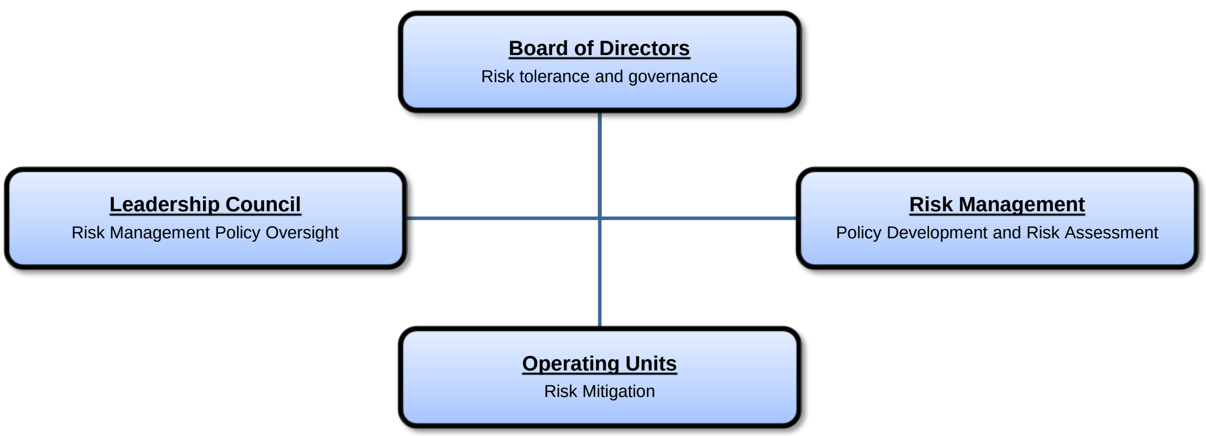
In 2016, we intend to continue to focus on growth in rate-regulated water and electricity infrastructure. We expect this growth to come from new infrastructure to accommodate growth and operational improvements primarily related to the Edmonton based operations. We also intend to expand our water and electricity commercial services activity.

Demand for water is expected to continue to increase and we anticipate increased requirements for better water management practices including watershed management and conservation. We will pursue expansion of our portfolio of commercial water contracts, particularly in Canada.

EPCOR has been selected as the preferred proponent to build and operate a natural gas distribution system for three municipalities in the Southern Bruce region of Ontario near Kincardine. An environmental impact assessment and public consultation needs to occur prior to an application to the Ontario Energy Board for approval. If the application is approved, construction is expected to begin in 2017.

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 in conjunction with the Company's internal audit function, 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 2015, no significant substantiated complaints with respect to accounting, financial reporting and auditing matters were received under the Ethics Policy.

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 Canada and the Southwestern U.S. Capital projects of the nature that would be of interest to EPCOR may be impacted by depressed oil prices and the slowing Canadian economy for the foreseeable future. This could slow or delay the Company's growth plans.

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.

Regulatory Risk

EPCOR is subject to risks associated with the rate regulation of 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.

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. 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 exceeding 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 fair rate of return.

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

The AUC utilizes a PBR structure for electricity and natural gas distribution utilities in Alberta. Under PBR, EPCOR's annual electricity 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. In September 2015, the Alberta Court of Appeal (the Court) upheld the AUC's decision. The extent to which this decision will impact utilities is not known at this time. The AUC asked participants in the 2016 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. Potential feedback from this proceeding is not expected until a decision is rendered in late 2016.

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. 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.

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 always 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.

In 2015, there was a change in government at the provincial (Alberta) and federal (Canada) levels. The impact of these political changes on EPCOR is not fully known at this time. EPCOR seeks to maintain open dialogue with all levels of government on matters of interest and participates in industry forums in order to positively influence legislative change contemplated by government.

Health and Safety Risk

The Company is responsible for ensuring that the potable water it sells to customers is safe to drink. Water Services performs continuous and rigorous quality control testing of water purification consistent with government and industry standards to prevent public health issues due to inadequately treated, stored or distributed drinking water.

Water quality for EPCOR's operations in Alberta is regulated under the provincial *Environmental Protection and Enhancement Act* (EPEA). Regulation under the EPEA takes the form of an "Approval to Operate" which, among other things, specifies the quality of the treated water, the number, frequency and form of water quality testing, as well as mandatory standards for the water treatment process. The drinking water quality requirements in Alberta meet or exceed the National Guidelines for Canadian Drinking Water Quality recommended by Health Canada.

Raw water quality is an important factor in the treatment of potable water. In Edmonton, we obtain surface water from the North Saskatchewan River to treat and sell to customers in the greater Edmonton area. The North Saskatchewan Watershed Alliance, among other things, aims to protect and improve North Saskatchewan River water quality by developing and sharing knowledge and facilitating workshops with members and interested parties.

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 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.

Our operations have hazardous elements, such as 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 and tested 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 2015, all of our Edmonton water treatment and wastewater treatment facilities were OHSAS 18001 registered.

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. 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.

While EPCOR receives dividends from Capital Power the Company does not rely on them as a source of funding. There can be no assurance that Capital Power will continue to pay dividends at current levels as they may be reduced or eliminated entirely in the future.

Underlying these risks are the specific business risks of Capital Power. EPCOR has no ability to manage these risks as the Company no longer has the right to nominate and elect directors to the board of Capital Power (2015 – one nominated Director; 2014 – two nominated Directors).

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.

Financial exposures associated with cyber-attacks are partly mitigated through our insurance programs.

Water Scarcity Risk

Water scarcity is the risk of inadequate raw water supply, particularly in the desert region of the Southwestern United States. This is primarily related to drought conditions which could potentially impact EPCOR's water operations in Arizona and New Mexico.

In Arizona in particular, a number of water management and supply augmentation strategies are employed to mitigate this risk including enacting some very progressive policies to protect groundwater supplies. While EPCOR is not obligated to demonstrate long term water adequacy for new customer growth, EPCOR actively manages its sources of water including replenishing reserves by injecting water into its wells when opportunity arises.

Despite these efforts, continued drought in the Southwestern U.S. could result in legislated measures to further reduce customer water consumption, potentially impacting financial performance in Arizona and New Mexico.

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 wastewater discharge, biogas release, and residuals management. EPCOR's wastewater operations are regulated with stringent wastewater treatment standards and controls covering quality of treated wastewater effluent as well as mandatory improvements to the 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.

To the best of our knowledge 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 the 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. EPCOR became ISO 14001 certified at the Edmonton water treatment plants and reservoirs in 2015.

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.

Operational Risks

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

The ability of the water treatment plants to meet potable water quality 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.

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 spot market through the AESO. 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 spot 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.

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. 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. Our ability to complete projects successfully depends upon numerous factors such as weather, civil disobedience, availability of skilled labor, strikes and regulatory matters.

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 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.

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,**	**2015**	**2014**
RRO and default supply customers[1]	$ 134	$ 139

1 EPCOR monitors credit risk for this portfolio at the gross exposure level rather than by individual customer account.

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

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,**	**2015**	**2014**
Unrated customers	$ 61	$ 54
Rated customers[1]	157	16

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.

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 labor availability that could be beneficial to the Company.

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.

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, 2015. 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	+2.0%	+0.7	+0.7
Decrease in RRO customers	-2.0%	-0.7	-0.7
Increase in water consumption	+5.0%	+13.6	+13.6
Decrease in water consumption	-5.0%	-13.6	-13.6

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, 2015. 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. Management made a judgment that its available-for-sale asset was impaired through a significant decline in market value. 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 $53 million at the end of each month in 2015 (2014 - $62 million). These estimates varied from $42 million to $67 million (2014 - $48 million to $73 million). Adjustments of estimated revenues to actual billings were not higher than $6 million per month in 2015 (2014 - $2 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 2015.

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 (cash generating units or CGUs) 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, 2015.

OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2015, the Company's transactions in other comprehensive income included the following:

- Re-measurement gain on defined benefit pension plans of $2 million (2014 - $7 million of other comprehensive loss).
- The Company's equity share of other comprehensive income of Capital Power of $2 million (2014 - $8 million).
- The Company's equity share of other comprehensive income of Capital Power realized in net income of $9 million other comprehensive loss (2014 – nil).
- Fair value loss on available-for-sale investment in Capital Power of $60 million (2014 - nil).
- Impairment of available-for-sale investment in Capital Power reclassified to net income of $60 million (2014 - nil).
- Foreign exchange gain on U.S. operations of $61 million (2014 - $27 million).

FOURTH QUARTER REVIEW AND QUARTERLY RESULTS

(Unaudited, $ millions) **Quarters ended**	**Revenues**	**Net income**
December 31, 2015	$ 523	$ 65
September 30, 2015	511	(13)
June 30, 2015	489	139
March 31, 2015	473	69
December 31, 2014	499	75
September 30, 2014	506	23
June 30, 2014	435	55
March 31, 2014	464	38

Events for the past eight quarters compared to the same quarter of the prior year that have significantly impacted net income included:

- December 31, 2015, fourth quarter results included the impairment of the available-for-sale investment in Capital Power, no equity share of income of Capital Power and lower deferred income tax recovery. This was partially offset by higher approved water and electricity customer rates, higher billing charge rates, higher water consumption, and higher favorable fair value adjustments on financial electricity purchase contracts.
- September 30, 2015, third quarter results included the impairment of the available-for-sale investment in Capital Power and unfavorable fair value adjustments related to the financial electricity purchase contracts, partially offset by higher approved water and electricity customer rates, higher billing charge rates, and higher Energy Price Setting Plan margins.
- June 30, 2015, second quarter results included gain on sale of a portion of investment in Capital Power and gain on reclassification of investment in Capital Power to an available-for-sale asset. It also included higher approved water and electricity customer rates, higher fair value adjustments on financial electricity purchase contracts, lower income tax expense due to the re-organization of Energy Services, and favorable fair value adjustments related to the interest rate swap.
- March 31, 2015, first quarter results included higher approved water and electricity customer rates, higher fair value adjustments on financial electricity purchase contracts, higher equity share of income of Capital Power, and lower income tax expense due to the re-organization of Energy Services. This was partially offset by a loss on fair value adjustments related to the interest rate swap.
- 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.

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 2016 includes $400 million to $550 million for capital expenditures and acquisitions and $141 million for common share dividends.	EPCOR is able to complete its 2016 capital expenditure program on time and on budget and no material unplanned 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 2016.	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 remaining interest in Capital Power.	EPCOR is able to find suitable lower-risk businesses and / or assets in which to invest the sell-down proceeds. 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 2015 Objectives Previously Disclosed		**Actual Result**	**Explanation of Material Differences from Objectives**
2015 Capital expenditures	$350 million to $450 million	$463 million	Higher expenditures on various wastewater projects in Water Services due to timing and changes in scope and higher lot energizations for Underground Residential Development Servicing in the Distribution and Transmission segment. These increases were primarily offset by lower expenditures in the Distribution and Transmission segment on the North and South Service Centre Growth Plan due to design delays.
Dividends	$141 million	$141 million	No difference.
2015 Interest payments	$118 million	$120 million	Higher interest payments due to higher foreign exchange translation rate on U.S. denominated debt.
Repayments of long-term loan and borrowings net of sinking fund payments received	$10 million	$10 million	No difference.

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 2015 Annual Information Form, is available on SEDAR at www.sedar.com.