EPCOR Utilities Inc.
Interim Management's Discussion and Analysis
March 31, 2011

This management's discussion and analysis (MD&A), dated May 10, 2011, should be read in conjunction with the unaudited condensed consolidated interim financial statements of EPCOR Utilities Inc. and its subsidiaries for the three months ended March 31, 2011 and 2010, the audited consolidated financial statements and MD&A for the year ended December 31, 2010 and the cautionary statement regarding forward-looking information on page 21. 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 requires. Financial information in this MD&A is based on the unaudited condensed consolidated interim 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. The Board of Directors has approved this MD&A.

OVERVIEW

EPCOR is wholly-owned by The City of Edmonton (the City). EPCOR builds, owns and operates electrical transmission and distribution networks as well as water and wastewater treatment facilities and infrastructure in Canada. EPCOR also provides energy and water services to residential and commercial customers. EPCOR's electricity (collectively the Distribution and Transmission and Energy Services segments) and water (including wastewater treatment) businesses consist primarily of rate-regulated and long-term commercial contracted operations. EPCOR's continuous improvement objective is to continue to seek out ways of maximizing the efficiency of its electricity and water operations.

EPCOR's operations performed well in the first quarter without any significant issues or disruptions to customers. Results from operations were slightly lower than planned.

Net income for the first quarter ended March 31, 2011 was $9 million compared with $83 million for 2010. The results for 2011 were lower than 2010 primarily due to decreased equity income from EPCOR's investment in Capital Power, which was partially attributable to a reduced economic interest in Capital Power to approximately 54% (2010 – 72%) as a result of the sale of a partial interest in Capital Power in December 2010 and dilution of our interest due to a further issuance of common shares by Capital Power in March 2011. Moreover, Capital Power's net income was lower than the same quarter last year.

Progress related to our 2011 capital expenditure plan commenced in the first quarter. This plan is aimed towards better water management practices and improvement of existing electricity distribution and transmission infrastructure to meet the growing demand for electricity. Work on a number of significant capital projects is expected to commence in the second quarter and continue throughout 2011 including water distribution system renewal projects within the City and the Poundmaker Electricity Distribution Substation project in northwest Edmonton. In addition, the Chaparral City Water Company acquisition was approved by the Arizona Corporation Commission in March 2011 and is expected to close in late May 2011.

CONSOLIDATED RESULTS OF OPERATIONS

Note on Comparisons

In the first quarter of 2011, EPCOR began reporting its financial results under IFRS, as mandated by the Canadian Institute of Chartered Accountants (CICA). The Company prepared its March 31, 2011 condensed consolidated interim financial statements in accordance with IFRS, which includes presenting the comparative net income results for March 31, 2010 and the statement of financial position (balance sheet) at January 1, 2010 and December 31, 2010 in accordance with IFRS (see Adoption of International Financial Reporting Standards below). All comparative figures in the tables and discussion in this MD&A have been converted to IFRS.

The results of operations are discussed below.

Net Income

(Unaudited, $ millions)	
Net income for the quarter ended March 31, 2010	**$ 83**
Lower equity share of income of Capital Power	(66)
Higher income tax expense	(8)
	9
Higher Distribution and Transmission operating income	4
Lower Edmonton water utility and commercial services margins	(5)
Lower changes in the fair value of floating-rates notes	(2)
Other	3
Change in net income from core operations	-
Net income for the quarter ended March 31, 2011	**$ 9**

Net income was $9 million for the three months ended March 31, 2011, compared with $83 million for the corresponding period in 2010. Explanations of the primary period-over-period variances are as follows and should be read in conjunction with the Note on Comparisons above.

- Lower equity share of income of Capital Power for the three months ended March 31, 2011 was partially due to a reduced interest in Capital Power as result of the sale of 9.2 million exchangeable limited partnership units of Capital Power L.P. in December 2010. In addition, in March 2011, Capital Power issued an additional 9.3 million common shares which translated into additional limited partnership units of Capital Power L.P. being issued which further reduced EPCOR's economic interest in Capital Power to approximately 54% at March 31, 2011. Aside from our reduced ownership, Capital Power's net income results were lower than the first quarter of 2010.
- Higher income tax expense for the three months ended March 31, 2011 compared with the corresponding period in 2010 primarily related to the Company's investment in Capital Power.
- Distribution and Transmission's operating income was higher for the three months ended March 31, 2011 compared with the corresponding period in 2010 primarily due to increased distribution tariff revenues resulting from higher approved customer rates and higher system access revenue due to transmission charge deferral account collections with no corresponding collections in 2010, partially offset by increased labor and other expenses.
- Lower Edmonton water utility and commercial services margins for the three months ended March 31, 2011 compared with the corresponding period in 2010, were primarily due to higher maintenance costs resulting from an increased number and severity of water main breaks, higher power costs and lower construction activity in 2011 compared with 2010.

- The fair value of the floating-rate notes was lower at March 31, 2011 compared with March 31, 2010 due to decreased short-term interest rates (lower future projected cash flows) and higher long-term bond yields (higher discount rate).

Revenues

(Unaudited, $ millions)	
Revenues for the quarter ended March 31, 2010	**$ 329**
Higher rate-regulated tariff electricity revenues	73
Higher Distribution and Transmission tariff revenues	10
Other	(1)
Increase in revenues	82
Revenues for the quarter ended March 31, 2011	**$ 411**

Consolidated revenues were higher for the three months ended March 31, 2011 compared with the corresponding period in 2010 primarily due to the net impact of the following and should be read in conjunction with the Note on Comparisons above:

- Rate-regulated tariff electricity revenues were higher for the three months ended March 31, 2011 compared with the corresponding period in 2010 primarily due to higher electricity prices in 2011 compared with 2010.
- Distribution and Transmission tariff revenues were higher for three months ended March 31, 2011 compared with the corresponding period in 2010 primarily due to higher approved customer rates and higher system access revenue due to transmission charge deferral account collections with no corresponding collections in 2010.

Capital Spending and Investment

(Unaudited, $ millions) Three months ended March 31	2011	2010
Water Services	$ 10	$ 11
Distribution and Transmission	29	23
Corporate	1	-
	$ 40	**$ 34**

The comparative period capital spending and investment amounts in the table above have been prepared in accordance with IFRS. Under former Canadian generally accepted accounting principles (GAAP), contributions from customers were offset against property, plant and equipment (PP&E) and as a result, capital spending and investment amounts were previously disclosed net of customer contributions. Under IFRS, customer contributions are not offset against PP&E and as a result, capital spending and investment amounts are disclosed without customer contributions (see the Adoption of International Financial Reporting Standards section below for additional details on the treatment of customer contributions under IFRS).

Capital expenditures for PP&E and other assets were higher for the three months ended March 31, 2011 compared with the corresponding period in 2010 primarily due to increased construction activity on Distribution and Transmission's North Light Rail Transit Extension project.

SEGMENT RESULTS

Water Services

Three months ended March 31	2011	2010
Water Services results (including intersegment transactions)		
(Unaudited, $ millions)		
Revenues	$ 80	$ 81
Expenses	71	66
Operating income	**$ 9**	**$ 15**

Water Services' operating income decreased $6 million for the three months ended March 31, 2011 compared with the corresponding period in 2010 due primarily to the net impact of the following items:

- Edmonton water operating income, before depreciation, was lower for the three months ended March 31, 2011 compared with 2010 primarily due to higher maintenance costs due to increased numbers and severity of water main breaks in 2011 compared with 2010.
- Commercial services margins for the three months ended March 31, 2011 compared with the corresponding period in 2010 were lower primarily due to higher power costs and lower construction activity in 2011 compared with 2010.
- Depreciation expense was higher for the three months ended March 31, 2011 compared with the corresponding period in 2010 due to rate-regulated water and wastewater asset additions in the last nine months of 2010.

Distribution and Transmission

Three months ended March 31	2011	2010
Distribution and Transmission results (including intersegment transactions)		
(Unaudited, $ millions)		
Revenues	$ 92	$ 72
Expenses	76	60
Operating income	**$ 16**	**$ 12**

Distribution and Transmission's operating income increased by $4 million for the three months ended March 31, 2011 compared with the corresponding period in 2010 primarily due to increased distribution tariff revenues resulting from higher approved customer rates and higher system access revenue due to transmission charge deferral account collections with no corresponding collections in 2010, partially offset by increased labor and other expenses.

Energy Services

Three months ended March 31	2011	2010
Energy Services results (including intersegment transactions)		
(Unaudited, $ millions)		
Revenues	$ 280	$ 207
Expenses	273	201
Operating income	**$ 7**	**$ 6**

There were no material changes in Energy Services' operating income for the three months ended March 31, 2011 compared with the corresponding period in 2010. Revenues and expenses were higher for the three months ended March 31, 2011 compared with the corresponding period in 2010 due to increased electricity prices, which flow-through to Energy Services' customers.

CONSOLIDATED BALANCE SHEETS

($ millions)	March 31, 2011	December 31, 2010	Increase (decrease)	Explanation
Cash and cash equivalents	$ 28	$ 104	$ (76)	Refer to liquidity and capital resources section.
Trade and other receivables	511	506	5	Increase primarily due to higher electricity prices.
Inventories	11	10	1	
Finance lease receivables	129	130	(1)	
Other financial assets	464	463	1	
Deferred tax asset	43	42	1	
Investment in Capital Power	1,143	1,192	(49)	Reflects EPCOR's equity share of other comprehensive loss and limited partnership distributions, partially offset by EPCOR's equity share of income.
Intangible assets	96	100	(4)	Reflects amortization of intangible assets.
Property, plant and equipment	2,404	2,385	19	Reflects capital expenditures partially offset by depreciation.
Trade and other payables	228	259	(31)	Decrease primarily due to payments in the first quarter for the purchase of additional water assets, income taxes and construction related payables accrued at year-end, with no or lower corresponding accruals at March 31, 2011.
Other current liabilities	35	36	(1)	
Loans and borrowings (including current portion)	1,667	1,672	(5)	Reflects scheduled repayment of long-term debt, partially offset by issuance of short-term debt.
Deferred revenues	542	541	1	
Deferred tax liabilities	1	1	-	
Provisions (including current portion)	54	51	3	
Other non-current liabilities	17	30	(13)	Primarily reflects Gold Bar asset transfer fee payment to the City in the first quarter of 2011.
Equity attributable to owners of the Company	2,285	2,342	(57)	Reflects other comprehensive loss and common share dividends, partially offset by net income.

LIQUIDITY AND CAPITAL RESOURCES

Cash inflows (outflows)

($ millions)	Three months ended March 31 2011	2010	Increase (decrease)	Explanation
Operating	$ 13	$ 46	$ (33)	Primarily reflects changes in non-cash operating working capital.
Investing	(46)	(38)	(8)	Primarily reflects higher capital expenditures.
Financing	(43)	(1)	(42)	Primarily reflects lower net issuance of short-term debt.

Cash flow from operating activities, which includes changes in non-cash operating working capital, decreased $33 million in the three months ended March 31, 2011 compared with the corresponding period in 2010 primarily due to changes in non-cash operating working capital.

At March 31, 2011, the Company had undrawn amounts available of $486 million (December 31, 2010 - $455 million), of which $457 million (December 31, 2010 - $428 million) is committed for at least two years, under four credit facilities including a $500 million syndicated bank credit facility. The syndicated bank credit facility has two tranches of $250 million each committed until 2014.

Committed and demand bank lines of credit facilities are used principally for the purpose of providing letters of credit. At March 31, 2011, the Company had letters of credit outstanding of $103 million (December 31, 2010 - $135 million) to meet the credit requirements of energy market participants and conditions of certain service agreements. The committed bank lines also indirectly back the Company's commercial paper program which has an authorized capacity of $500 million and an issuance limit of $225 million under the committed credit facilities, of which $3 million was outstanding at March 31, 2011 (December 31, 2010 - nil).

The Company's working capital and contractual obligations in 2011 will be funded from operating cash flows, limited partnership distributions from Capital Power, interest received in relation to the long-term receivable from Capital Power, and the Company's credit facilities. In addition, the Company may issue medium-term notes, sell floating-rate notes or sell a portion of its interest in Capital Power to fund its long-term obligations. The payments expected to be received from Capital Power in 2011 comprise a significant amount of the cash required to fund the Company's 2011 contractual debt obligations. Should Capital Power be unable to fulfill its obligations to EPCOR or have to reduce its distributions in 2011, the Company will rely more heavily on its credit facilities or other sources of financing, such as selling a portion of its interest in Capital Power, to fund its obligations or investments.

The Company has a Canadian shelf prospectus under which it may raise up to $1 billion of debt with maturities of not less than one year. At March 31, 2011, the available amount remaining under this shelf prospectus was $1 billion. The shelf prospectus expires in January 2012.

Floating-rate Notes

On January 21, 2009, the restructuring of non-bank asset-backed commercial paper (ABCP) was implemented. Under the restructuring, the affected ABCP was exchanged for floating-rate notes, maturing no earlier than the scheduled termination dates of the underlying assets. The exchange was recorded at the estimated fair value of the ABCP on January 21, 2009. Since the original purchase of ABCP in 2007 for $71 million, $3 million in principal repayments have been received. The face value of the notes received in exchange for ABCP was $68 million at March 31, 2011.

As the notes are classified as held-for-trading financial assets, they are subject to ongoing fair value adjustments at each reporting date. At March 31, 2011, the fair value of the notes was estimated at $41 million compared with a fair value of $42 million at December 31, 2010. The $1 million decrease for the first quarter of 2011 was primarily due to higher long-term bond yields (higher discount rate). In the first quarter of 2010, a $1 million increase in the fair value of the notes was recognized.

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

Effects of Economic and Market Uncertainty

Canadian and United States (U.S.) economies have been slowly improving over the past couple of years; however, there is still some uncertainty regarding the likelihood of a full recovery in the near future, particularly in light of recent global events such as the geopolitical issues in the Middle East, sovereign debt issues in Europe and the earthquake and tsunami in Japan. The Company secured financing to fund a portion of its capital expenditures and working capital requirements at a weighted average interest rate of 1.05% per annum through the issue of commercial paper in the quarter.

If the economy were to deteriorate in the longer term, particularly in Canada and the U.S., the Company's ability to renew credit facilities, arrange long-term financing for its capital expenditure programs and acquisitions, or refinance outstanding indebtedness when it matures could be adversely impacted. If market conditions worsen, the Company may suffer a credit rating downgrade and be unable to renew its credit facilities or access the public debt markets. We continue to believe that these circumstances have a low probability of occurring. However, we continue to monitor EPCOR's capital programs and operating costs to minimize the risk that the Company becomes short of cash or unable to honour its obligations.

In the first quarter of 2011, the Company used cash on hand and commercial paper to fund its capital expenditures and working capital requirements. The Company plans to use cash on hand as well as commercial paper, existing credit facilities or potentially medium-term notes for its financing requirements for the balance of the year. Current and longer-term financing requirements could also be funded by a sale of a portion of the Company's interest in Capital Power, pursuant to applicable agreements with Capital Power and as market conditions permit, or a sale of floating-rate notes. Should the credit and economic environments worsen, it may adversely affect the interest rates at which we are able to borrow.

CONTRACTUAL OBLIGATIONS

In January 2011, the Company entered into an agreement to acquire 100% of the stock of the Arizona-American Water Company (Arizona Water) and New Mexico-American Water Company, Inc. (New Mexico Water), both wholly-owned subsidiaries of American Water Works Company, Inc. for total consideration of US $470 million, including the assumption of US $10 million in debt, subject to certain adjustments. The transaction is subject to regulatory approvals in both states. Arizona Water is a regulated utility that provides water service to approximately 106,000 customers and wastewater services to approximately 51,000 customers primarily located in the Phoenix area. New Mexico Water provides water and wastewater services to the City of Clovis in eastern New Mexico, and in the greater Edgewood area near Albuquerque, serving more than 17,000 customers.

During the first quarter of 2011, there were no other material changes to the Company's purchase obligations, including payments for the next five years and thereafter. For further information on the

Company's contractual obligations, refer to the 2010 annual MD&A.

ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

Effective January 1, 2011, IFRS was incorporated into the CICA Handbook for publicly accountable entities. Companies with rate-regulated operations may defer the adoption of IFRS until January 1, 2012, however EPCOR chose to adopt IFRS effective January 1, 2011.

Financial Reporting Processes and Internal Controls

As part of the IFRS conversion project, financial reporting processes as well as internal controls over financial reporting and disclosure controls and procedures, were reviewed. Other than the changes to the accounting and financial reporting systems noted below, no other significant changes to existing processes or controls were identified.

Using the updated accounting and financial reporting systems, the Company was able to report 2010 results under Canadian GAAP for 2010 reporting and prepare 2010 results under IFRS for 2011 comparative reporting.

Significant Accounting Policy Changes

The following areas were identified as having the most impact on the Company's accounting policies:

<u>PP&E</u>

IFRS are different from Canadian GAAP in that certain costs such as overheads and borrowing costs in excess of the entity's actual cost of debt may not be capitalized. Under Canadian GAAP, the Company capitalized an allowance for funds used during construction (AFUDC) which included cost of debt and deemed cost of equity. In addition, IFRS do not have a rate-regulated provision allowing costs not specifically allowed under the standards, but allowed by the rate regulator, such as training costs, to be capitalized.

IFRS are also more specific with respect to the level at which component accounting is required, requiring each significant component of an asset for which different depreciation methods or rates are appropriate, to be accounted for separately.

Under Canadian GAAP, the method used to retire assets of rate-regulated operations resulted in a deferral of any losses. IFRS do not allow this treatment.

<u>Transfers of Assets from Customers</u>

IFRS requires that assets received from customers that are used to connect a customer to the network or to provide ongoing access to a supply of goods or services should be treated as a revenue generating transaction, with the timing of revenue recognition dependent on the service or services provided. Under Canadian GAAP, contributions from customers were recorded as an offset against the cost of the associated asset, and amortized over the life of the asset.

<u>Rate-regulated Accounting</u>

Under IFRS, there are currently no provisions for rate-regulated accounting. However, the International Accounting Standards Board (IASB) has provided transitional relief to first-time adopters via an exemption which allows rate-regulated entities to use the Canadian GAAP carrying amount for property plant and equipment on the transition date as the deemed cost under IFRS. The Company did not take this election and as a result, recorded the adjustments described above upon conversion to IFRS.

In addition to the changes noted above under PP&E, the absence of any provisions for rate-regulated accounting under IFRS prohibits the recognition of certain regulatory assets and liabilities such as deferral accounts established by the regulator. Not recognizing these assets and liabilities will likely result in greater volatility in the Company's reported net income.

Investments in Associates

Since we use the equity method to account for the investment in Capital Power, we must recognize our equity share of any IFRS related adjustments recorded by Capital Power. The associated IFRS adjustment is comprised of the following components: the accumulated other comprehensive income adjustment relating to the cumulative translation adjustment election (see IFRS 1 below) and the Company's equity share of Capital Power L.P.'s IFRS adjustments relating to the period between the date that EPCOR sold its power generation business to Capital Power (July 2009) and the IFRS transition date.

IFRS 1 – First-time Adoption of International Financial Reporting Standards (IFRS 1)

IFRS 1 provided first-time adopters with a number of elections, of which the following were relevant to EPCOR:

- Fair value or revaluation as deemed cost – Election to use fair value at the date of transition as deemed cost. This election was available on an asset by asset basis. The Company did not elect to apply fair values on conversion.
- Employee benefits – Election to recognize all cumulative actuarial gains and losses associated with employee benefit plans at the date of transition to IFRS. The Company elected to recognize all actuarial losses associated with employee benefit plans at the date of transition.
- Decommissioning liabilities – Election to use a simplified calculation to calculate and restate decommissioning liabilities and related PP&E and depreciation expense. The Company elected to use the simplified calculation, which resulted in no obligation being recorded.
- Transfer of assets from customers – Election to reclassify customer contributions received prior to the transition date. The Company elected to reclassify customer contributions.
- Cumulative translation account – Election to set all foreign currency translation differences in respect of foreign operations that arose prior to the date of transition to be nil at the date of transition. The Company elected to re-set the cumulative translation account to nil.
- Business Combinations – Election to apply any date prior to the transition date as the date from which IFRS 3 – Business Combinations (IFRS 3), would be applied. Any business combinations occurring prior to this date would not require retrospective application.

  The Company elected to apply IFRS 3 for any transactions occurring subsequent to December 31, 2009. The transactions occurring prior to that date relate to the acquisition of certain water assets. These business combinations were not restated, and any goodwill arising from such business combinations before the date of transition was not adjusted from the carrying amounts previously determined under Canadian GAAP as a result of election.

  Certain provisions under IFRS 3 were also applicable to the measurement of the Company's investment in Capital Power. As the transaction occurred prior to the elected date of December 31, 2009, these provisions, and related provisions within IAS 27 - Consolidated and Separate Financial Statements, were not applied to the investment.

Impact on adoption of IFRS on financial reporting

The conversion to IFRS resulted in differences in recognition, measurement, and disclosure of balances and transactions in the financial statements. The following tables explain how the transition from Canadian GAAP to IFRS affected the Company's financial position at the transition date of January 1, 2010 and at December 31, 2010, which was the last period reported under Canadian GAAP, and the Company's and its segments' financial performance for the three months ended March 31, 2010.

Reconciliation of equity reported under Canadian GAAP to equity under IFRS at January 1, 2010:

	Canadian GAAP	Measurement adjustments	Presentation adjustments	IFRS
Current assets:				
Cash and cash equivalents	$ 11	$ -	$ -	$ 11
Trade and other receivables (a)	502	(21)	-	481
Inventories	11	-	-	11
Deferred tax assets (b)	1	-	(1)	-
	525	(21)	(1)	503
Non-current assets:				
Other assets (a, c, d)	164	(1)	(163)	-
Finance lease receivables (c)	-	-	124	124
Other financial assets (c)	643	-	37	680
Deferred tax asset (b)	40	-	1	41
Investment in Capital Power (e)	1,481	(20)	-	1,461
Intangible assets (d, f)	110	(2)	2	110
Property, plant and equipment (a, f, g, h)	1,778	(75)	526	2,229
	4,216	(98)	527	4,645
Total assets	$ 4,741	$ (119)	$ 526	$ 5,148
Current liabilities:				
Trade and other payables (a, i)	$ 241	$ (7)	$ (16)	$ 218
Loans and borrowings	225	-	-	225
Provisions (i)	-	-	16	16
Other liabilities	32	-	-	32
	498	(7)	-	491
Non-current liabilities:				
Loans and borrowings (j)	1,692	(5)	-	1,687
Deferred revenues (g, h)	-	(17)	526	509
Provisions (a, i, k)	-	-	37	37
Other liabilities (i)	81	-	(37)	44
	1,773	(22)	526	2,277
Total liabilities	2,271	(29)	526	2,768
Equity attributable to owners of the Company:				
Share capital	24	-	-	24
Accumulated other comprehensive (loss) income (e, j, l, m)	(16)	28	-	12
Retained earnings (a, e, f, h, k, l, m)	2,462	(118)	-	2,344
Total equity	2,470	(90)	-	2,380
Total liabilities and equity	$ 4,741	$ (119)	$ 526	$ 5,148

Reconciliation of equity reported under Canadian GAAP to equity under IFRS at December 31, 2010:

	Canadian GAAP	Measurement adjustments	Presentation adjustments	IFRS
Current assets:				
Cash and cash equivalents	$ 104	$ -	$ -	$ 104
Trade and other receivables (a)	519	(13)	-	506
Inventories	10	-	-	10
Deferred tax assets (b)	1	-	(1)	-
	634	(13)	(1)	620
Non-current assets:				
Other assets (a, c, d)	178	(2)	(176)	-
Finance lease receivables (c)	-	-	130	130
Other financial assets (c)	419	-	44	463
Deferred tax asset (b)	41	-	1	42
Investment in Capital Power (e)	1,235	(43)	-	1,192
Intangible assets (d, f)	100	(2)	2	100
Property, plant and equipment (f, g, h)	1,907	(80)	558	2,385
	3,880	(127)	559	4,312
Total assets	$ 4,514	$ (140)	$ 558	$ 4,932
Current liabilities:				
Trade and other payables (a, i)	$ 279	$ 4	$ (24)	$ 259
Loans and borrowings	219	-	-	219
Provisions (i)	-	-	24	24
Other liabilities	36	-	-	36
	534	4	-	538
Non-current liabilities:				
Loans and borrowings (j)	1,456	(3)	-	1,453
Deferred revenues (g, h)	-	(17)	558	541
Deferred tax liabilities	1	-	-	1
Provisions (a, i, k)	-	(1)	28	27
Other liabilities (i)	58	-	(28)	30
	1,515	(21)	558	2,052
Total liabilities	2,049	(17)	558	2,590
Equity attributable to owners of the Company:				
Share capital	24	-	-	24
Accumulated other comprehensive (loss) income (e, j, l, m)	(18)	23	-	5
Retained earnings (a, e, f, h, k, l, m)	2,459	(146)	-	2,313
Total equity	2,465	(123)	-	2,342
Total liabilities and equity	$ 4,514	$ (140)	$ 558	$ 4,932

Notes to the reconciliations:

(a) IFRS does not currently contain any separate guidance relating to recognition of assets and liabilities that have arisen as a result of rate regulation. Under current IFRS standards, such items were not recognized on transition. The impact of this at January 1, 2010 was to reduce trade and other receivables by $21 million, other assets by $1 million, PP&E by $1 million, trade and other payables by $7 million and non-current provisions by $2 million with a $14 million charge to opening retained earnings. At December 31, 2010, the impact was to reduce trade and other receivables by $13 million, other assets by $2 million and non-current provisions by $2 million and increase trade and other payables by $4 million with a $17 million charge to retained earnings.

(b) In accordance with IAS 12 - Income Taxes, all deferred tax balances are classified as non-current, irrespective of the underlying assets or liabilities to which they relate, or the expected reversal of the temporary difference. The effect was to reclassify $1 million at January 1, 2010 and December 31, 2010 from current deferred tax assets to non-current deferred tax assets.

(c) In accordance with IAS 1 - Financial Statements, financial assets should be separately presented from other assets. The effect was to reclassify $161 million at January 1, 2010 and $174 million at December 31, 2010 from other assets. At January 1, 2010, $124 million is presented as finance lease receivables and $37 million is presented as other financial assets. At December 31, 2010, $130 million is presented as finance lease receivables and $44 million is presented as other financial assets.

(d) In accordance with IAS 1 - Financial Statements, goodwill should be presented either on the face of the consolidated statement of financial position or as part of intangible assets. Under Canadian GAAP, goodwill was previously presented as part of other assets. The effect was to reclassify $2 million at January 1, 2010 and December 31, 2010 from other assets to intangible assets.

(e) The Company has restated its investment in Capital Power to recognize its equity share of Capital Power's IFRS adjustments. The impact was a reduction in the investment of $20 million at January 1, 2010 and $43 million at December 31, 2010. Accumulated other comprehensive income increased by $10 million at January 1, 2010 and by $6 million at December 31, 2010 with a charge to retained earnings of $30 million at January 1, 2010 and $49 million at December 31, 2010.

(f) The Company previously accounted for certain transactions in accordance with applicable rate regulation (regulatory accounting). As permitted previously under Canadian GAAP, the Company applied Financial Accounting Standards Codification Section 980 – Regulated Operations, as issued by the Financial Accounting Standards Board in the U.S. as another source of GAAP.

Under regulatory accounting, gains and losses on the disposal of the Company's rate-regulated assets were previously deferred within PP&E or intangible assets. The Company also previously capitalized non-directly attributable overhead within PP&E and intangible assets where it was included within the Company's rate-regulated asset base.

Under IAS 16 - Property, Plant and Equipment and IAS 38 – Intangible Assets, assets are required to be derecognized on disposal and any associated gain or loss should be recognized in net income. Overheads may only be capitalized where they are considered to be directly attributable to the construction of the asset.

The effect of this was to reduce the net book value of PP&E by $59 million at January 1, 2010 and $65 million at December 31, 2010. Intangible assets were reduced by $2 million at January 1, 2010 and by $2 million at December 31, 2010. The overall reduction in retained earnings was $61 million at January 1, 2010 and $67 million at December 31, 2010.

(g) Although the determination of whether an arrangement contains a lease is broadly similar between Canadian GAAP and IFRS, Canadian GAAP contains more quantitative criteria in determining whether a lease is treated as capital or operating. As a result, a lease agreement which was previously determined to be an operating lease under Canadian GAAP was determined to be a finance lease under IAS 17 – Leases. The impact was a reduction in PP&E of $15 million at January 1, 2010 and December 31, 2010, which was offset by a reduction in deferred revenue of $15 million at January 1, 2010 and December 31, 2010.

(h) Under Canadian GAAP, contributions that were received from developers and customers and used to construct items of PP&E were offset against the cost of the constructed asset. Under IFRIC 18 - Transfers of Assets from Customers, contributions received in order to construct an item of PP&E that is used to provide ongoing access to electricity and water are treated as deferred revenues. The effect of this was to reclassify $526 million at January 1, 2010 and $558 million at December 31, 2010 from PP&E to deferred revenues.

In addition, $2 million at January 1, 2010 and December 31, 2010 was recorded in net income relating to insurance proceeds that under Canadian GAAP were being deferred and amortized over the life of the replacement asset. Under IAS 16 – Plant, Property and Equipment, such proceeds should be recognized in net income on settlement of the claim.

(i) Under IAS 1 - Financial Statements, provisions should be separately presented on the face of the consolidated statement of financial position. The effect was to reclassify $16 million at January 1, 2010 and $24 million at December 31, 2010 from trade and other payables to current provisions and to reclassify $37 million at January 1, 2010 and $28 million at December 31, 2010 from other non-current liabilities to non-current provisions.

(j) In accordance with IAS 39 – Financial Instruments, any asset that is classified as available for sale should be recorded at fair value, with any changes in fair value recognized in other comprehensive income. Under Canadian GAAP, the Company's beneficial interest in the sinking fund is not quoted in an active market and was therefore recorded at cost. The impact was a reduction in loans and borrowings of $5 million at January 1, 2010 and $3 million at December 31, 2010 with a corresponding increase in accumulated other comprehensive income to recognize the difference between fair value and the Canadian GAAP exchange amount.

(k) As permitted by IFRS 1, the Company has elected to recognize all cumulative actuarial gains and losses that existed at its date of transition in opening retained earnings for all of its employee benefit plans. The effect was to increase non-current provisions by $2 million at January 1, 2010 and by $1 million at December 31, 2010.

(l) As permitted by IFRS 1, the Company has elected to reset its cumulative translation account to nil at the date of transition. The impact of this was a reclassification of $19 million from accumulated other comprehensive income to retained earnings at January 1, 2010 and December 31, 2010.

(m) The Company recognized an increase in retained earnings of $6 million at January 1, 2010 and March 31, 2010 and $5 million at December, offset by a decrease in accumulated other comprehensive income of $6 million at January 1, 2010 and March 31, 2010 and $5 million at December 31, 2010 to reflect the deferred tax impact of the adjustments noted above relating to the Company's entities subject to income tax.

Reconciliation of net income for the three months ended March 31, 2010 reported under Canadian GAAP to net income reported under IFRS:

	Canadian GAAP	Measurement adjustments	Presentation adjustments	IFRS
Continuing operations:				
Revenues and other income (n, o)	$ 338	$ 3	$ 3	$ 344
Electricity purchases and system access fees	(172)	-	-	(172)
Operations, maintenance and administration (p)	(81)	-	81	-
Other raw materials and operating charges (p)	-	-	(21)	(21)
Staff costs and employee benefits (p)	-	-	(52)	(52)
Depreciation and amortization (o, q)	(23)	2	(3)	(24)
Franchise fees and property taxes (n)	(15)	(1)	-	(16)
Other administrative expenses (p, r)	-	(2)	(8)	(10)
Operating income	47	2	-	49
Finance expense	(34)	-	-	(34)
Equity share of income of Capital Power (s)	76	(6)	-	70
Income before income taxes	89	(4)	-	85
Income tax expense	(2)	-	-	(2)
Net income for the period	$ 87	$ (4)	$ -	$ 83

Notes to the reconciliation:

(n) As identified in note (f), the Company previously used regulatory accounting to recognize certain assets, liabilities, revenues and expenses. As a result, the timing of the Company's recognition of certain revenues and expenses differed from IFRS, which requires that revenues and expenses are recognized as incurred. For the three months ended March 31, 2010, the impact was an increase in revenues of $3 million offset by an increase in franchise fees and property taxes of $1 million for an overall increase to net income of $2 million.

(o) Under Canadian GAAP, the amortization of contributions received towards the construction of PP&E used to provide ongoing access to electricity and water supply was treated as depreciation. Under IFRIC 18 – Transfers of Assets from Customers, such amortization is treated as revenue. The effect was to reclassify $3 million from depreciation to revenues for the three months ended March 31, 2010.

(p) Under IAS 1 - Financial Statements, expenses must be presented using either a functional presentation or according to their nature. The Company has adopted presentation by nature. The effect was to reclassify salary, wages and employee benefit costs of $52 million to staff costs and employee benefits from operations, maintenance and administration for the three months ended March 31, 2010. The remaining operations, maintenance and administrative costs were reclassified as either other raw material and operating charges or other administrative expenses.

(q) As identified in note (f), PP&E and intangible assets have been adjusted for the removal of non-directly attributable overhead and deferred gains and losses on derecognized assets. As a result of this, and as a result of the review of the useful lives of the components of the Company's assets as required by IAS 16 - Plant, Property and Equipment, there was a reduction in depreciation and amortization of $2 million for the three months ended March 31, 2010.

(r) Under Canadian GAAP, overheads are capitalized as part of PP&E or intangible assets if they are permitted or required to be included in the Company's rate-regulated asset base. Under IAS 16 - Plant, Property and Equipment and IAS 38 – Intangible Assets, overheads may only be capitalized if they are directly attributable to the construction of PP&E or intangible assets. The effect of this was an increase to other administrative expenses of $2 million for the three months ended March 31, 2010.

(s) The Company's income from its equity investment in Capital Power was reduced by $6 million for the three months to March 31, 2010, which reflected the Company's equity share of the adjustments recognized on transition to IFRS by Capital Power.

Reconciliation of operating income for the Company's segments for the three months ended March 31, 2010 reported under Canadian GAAP to operating income reported under IFRS:

Water Services

Three months ended March 31, 2010	Canadian GAAP	Measurement adjustments	Presentation adjustments	IFRS
Water Services results				
(including intersegment transactions) (Unaudited, $ millions)				
Revenues	$ 79	$ -	$ 2	$ 81
Expenses	64	-	2	66
Operating income	**$ 15**	**$ -**	**$ -**	**$ 15**

Water Services' operating income had no material measurement adjustments for the three months ended March 31, 2010 in converting to IFRS. The presentation adjustments relate to recognition of customer and other contributions deferred revenue considered to be service revenue under IFRIC 18 – Transfers of Assets from Customers. Under Canadian GAAP, these amounts were included in depreciation expense, resulting in a reclassification of $2 million from depreciation expense to revenue for the three months ended March 31, 2010.

Distribution and Transmission

Three months ended March 31, 2010	Canadian GAAP	Measurement adjustments	Presentation adjustments	IFRS
Distribution and Transmission results				
(including intersegment transactions) (Unaudited, $ millions)				
Revenues	$ 69	$ 2	$ 1	$ 72
Expenses	57	2	1	60
Operating income	**$ 12**	**$ -**	**$ -**	**$ 12**

Distribution and Transmission operating income had the following changes for the three months ended March 31, 2010 due to the conversion to IFRS:

- The measurement adjustments primarily relate to revenues and expenses recognized under IFRS as incurred, rather than deferred until approved by the regulator under Canadian GAAP. For the three months ended March 31, 2010, the impact was an increase to revenues of $2 million and an increase in property tax expense of $2 million.

- The presentation adjustments relate to recognition of customer and other contributions deferred revenue considered service revenue under IFRIC 18 - Transfers of Assets from Customers. Under Canadian GAAP, these amounts were included in depreciation expense resulting in a reclassification of $1 million from depreciation expense to revenue for the three months ended March 31, 2010.

Energy Services

Three months ended March 31, 2010	Canadian GAAP	Measurement adjustments	Presentation adjustments	IFRS
Energy Services results (including intersegment transactions) (Unaudited, $ millions)				
Revenues	$ 207	$ -	$ -	$ 207
Expenses	202	(1)	-	201
Operating income	**$ 5**	$ (1)	**$ -**	**$ 6**

Energy Services' operating income had the following changes for the three months ended March 31, 2010 due to the conversion to IFRS:

- The measurement adjustment primarily relates to expenses recognized under IFRS as incurred rather than being deferred until approved by the Regulator. For the three months ended March 31, 2010, the impact is a decrease to expenses of $1 million.

Impact on Future Reporting

As a result of the transition to IFRS from Canadian GAAP we expect the following changes to future reporting:

- Under Canadian GAAP, overhead expenses were capitalized as part of PP&E or intangible assets if they were permitted or required to be included in the Company's rate-regulated asset base. Under IFRS, overheads may only be capitalized if they are directly attributable to the construction of PP&E or intangible assets. The effect of this difference is that net income, in the year the overheads are incurred, will be lower than previously reported under Canadian GAAP but higher in later years, since there will be no depreciation expense on such costs as there would have been under Canadian GAAP.
- As identified in note (j) above, the Company's beneficial interest in the sinking fund is required to be measured at fair value under IFRS. As a result, there will be increased volatility in comprehensive income, which will diminish over time as the debt is repaid.
- Under Canadian GAAP, the amortization of contributions received towards the construction of PP&E used to provide ongoing access to electricity and water supply is treated as depreciation. Under IFRIC 18, these amounts are treated as revenue. This change will increase depreciation and increase revenue with no impact on net income.
- As regulatory assets and liabilities are not recognized under IFRS, amounts which were previously recognized under Canadian GAAP, on the basis that regulatory approval would ultimately allow the amounts, will only be recognized when future rates are effective and the services have been provided to customers. Adoption of IFRS introduces timing differences in revenue recognition relative to these amounts and as a result, there will be increased volatility in net income.
- Currently, most of the Company's operations are rate-regulated, and impairments of assets subject to rate-regulation are not a significant concern under the current regulatory framework. However, as

the Company's commercial operations expand and become material to overall operations of the Company, EPCOR will have to implement processes to assess cash generating units and document the assessment of impairment indicators on an annual basis, which may give rise to more frequent impairment charges than would otherwise be the case under Canadian GAAP.

FUTURE ACCOUNTING STANDARD CHANGES

Several new accounting standards and amendments to existing standards have been issued by the IASB for application in future periods, although a limited number have potential significance to the Company. The standards that are applicable to the Company are as follows:

IFRS 7 (Amendment) – Financial Instruments: Disclosures (IFRS 7)

The amendment to IFRS 7 requires additional disclosures to be provided relating to transfers of financial assets and is effective for annual periods beginning on or after July 1, 2011.

IFRS 9 – Financial Instruments (IFRS 9)

IFRS 9 replaces IAS 39 – Financial Instruments: Recognition and Measurement relating to the classification and measurement of financial instruments. It establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flows of the financial asset. IFRS 9 is effective for annual periods beginning on or after January 1, 2013. This standard may impact the measurement of the Company's loans and receivables which are currently recorded at cost and may be required to be measured at fair value.

The effect of adoption of the above issued standards on the consolidated financial statements of the Company has not yet been determined.

In addition, the following projects on the IASB work-plan, with standards expected to be issued during 2011, may have an impact on the Company when adopted:

Consolidation

The objective of the project is to revise the definition of control and to enhance related disclosures. Any changes to the control definition may impact the Company's accounting for its investment in Capital Power.

Leases

The IASB issued an exposure draft on leases which proposes recording all leased assets on the balance sheet. EPCOR as a lessee is party to a number of leases, including a long-term commitment with respect to its head office and as part of its commercial water operations; EPCOR may also enter into arrangements where it is a lessor. These proposals could result in revised asset and liability amounts recorded on the balance sheet and would alter the presentation of revenues and expenses associated with such contracts by reclassifying the related operating expenses as finance expense and depreciation expense, and related operating revenues as finance income.

Revenue Recognition

The objective of the project is to replace the current guidance contained in IAS 18 – Revenue and IAS 11 – Construction Contracts and to provide a single, consistent framework for revenue recognition. As part of the single framework approach the percentage of completion method used for construction contracts under IAS 11 – Construction Contracts, is withdrawn, which could result in differences in the timing of revenue recognition on construction contracts if it is assessed that control does not continuously pass to the customer. In addition, the exposure draft contains more detailed guidance in identifying separate deliverables and in determining the transaction price.

The impact of these projects on the Company will be assessed once final standards have been issued.

CRITICAL ACCOUNTING ESTIMATES

In preparing the condensed consolidated interim financial statements, management necessarily made estimates in determining transaction amounts and financial statement balances. The following are the items for which significant estimates were made in the condensed consolidated interim financial statements: electricity revenues and costs, unbilled consumption of electricity and water, fair values, allowance for doubtful accounts, useful lives of assets and income taxes. Interim results will fluctuate due to the seasonal demands for electricity and water, changes in electricity prices, and the timing and recognition of regulatory decisions. Consequently, interim results are not necessarily indicative of annual results.

For further information on the Company's critical accounting estimates, refer to the 2010 annual MD&A.

RISK MANAGEMENT

This section should be read in conjunction with the Risk Management section of the most recent annual MD&A. EPCOR faces a number of risks including risks related to its investment in Capital Power, operational risks, political, legislative and regulatory risk, strategy execution risk, weather risk, financial liquidity risk, project risk, availability of people risk, credit risk, regulated rate option and default supply credit risk, water credit risk, environment risk, health and safety risk, conflicts of interest risk, general economic conditions and business environment risks and foreign exchange risk. The Company employs active programs to manage these risks.

On May 5, 2011, all four charges brought against the Company under the Alberta Occupational Health and Safety Act and Occupational Safety Code with respect to the 2007 fatality of a power lineman employee were stayed, ending all legal proceedings on this matter.

As part of ongoing risk management practices, the Company reviews current and proposed transactions to consider their impact on the risk profile of the Company. There have been no material changes to the risk profile or risk management strategies of EPCOR as described in the annual MD&A for 2010 that have affected the financial statements for March 31, 2011.

OUTLOOK

In July 2011, EPCOR expects to file its first performance based regulation (PBR) application in respect of its electricity distribution and transmission operations, effective 2013.

In October 2011, we expect to file a cost of service application for 2012, consistent with prior applications, in respect of our electricity distribution and transmission operations. In November 2011, a cost of service application for 2012 and 2013 is expected to be filed in respect of our energy services business.

In March 2011, we received approval from the regulator, the Arizona Corporation Commission, on our proposed acquisition of Chaparral City Water Company (Chaparral), a wholly-owned subsidiary of American States Water Company, for an aggregate purchase price of US $35 million, including the assumption of US $6 million of debt. Chaparral is a public utility company engaged principally in the purchase, production, distribution and sale of water to approximately 13,000 customers in the Town of Fountain Hill, Arizona and a small portion of Scottsdale, Arizona. We expect the transaction to close in late May 2011.

QUARTERLY RESULTS

Quarter ended	Revenues	Net income (loss)
Results reported under IFRS	(Unaudited, $ millions)	
March 31, 2011	$ 411	$ 9
December 31, 2010	383	6
September 30, 2010	377	26
June 30, 2010	348	(10)
March 31, 2010	329	83
Results reported under Canadian GAAP[1]		
December 31, 2009	372	27
September 30, 2009	351	(56)
June 30, 2009	735	50

[1] Quarterly results for March 31, 2010 through December 31, 2010 have been converted to IFRS as required under IFRS. Quarterly results for June 30, 2009 through December 31, 2009 have not been converted to IFRS and are presented under Canadian GAAP.

Events for the past eight quarters that have significantly impacted net income and the comparability between quarters are:

- March 31, 2011 first quarter results included lower equity in the net income of Capital Power due to our reduced investment and lower Capital Power net income, lower Water Services and Distribution and Transmission operating income.
- December 31, 2010 fourth quarter results included the loss on sale of a portion of the investment in Capital Power recorded, partially offset by operating income as a result of increased rates in Distribution and Transmission and Energy Services, transfer of Gold Bar on March 31, 2009 and the acquisition of Alberta oil sands related water and wastewater treatment operations in the fourth quarter of 2009, lower revenues due to the sale of the power generation business in 2009, interest revenue on the long-term loans receivable from Capital Power.
- September 30, 2010 third quarter results included positive operating income as a result of the transfer of Gold Bar on March 31, 2009 and the acquisition of Alberta oil sands related water and wastewater treatment operations in the fourth quarter of 2009, our equity share of income of Capital Power, lower revenues due to the sale of the power generation business in 2009, and interest revenue on the long-term loans receivable from Capital Power.
- June 30, 2010 second quarter results included our equity share of loss of Capital Power, lower revenues due to the sale of the power generation business in 2009, interest revenue on the long-term loans receivable from Capital Power, positive operating income as a result of the transfer of Gold Bar on March 31, 2009 and the acquisition of Alberta oil sands related water and wastewater treatment operations in the fourth quarter of 2009.

- March 31, 2010 first quarter results included our equity share of income of Capital Power, lower revenues due to the sale of the power generation business in 2009, interest revenue on the long-term loans receivable from Capital Power, positive operating income as a result of the transfer of Gold Bar on March 31, 2009 and the acquisition of Alberta oil sands related water and wastewater treatment operations in the fourth quarter of 2009.

- December 31, 2009 fourth quarter results included adjustments to the loss on sale of the power generation business, interest revenue on the long-term loans receivable from Capital Power and positive operating income as a result of the transfer of Gold Bar on March 31, 2009.

- September 30, 2009 third quarter results included a loss on the sale of the power generation business and the write-off of syndicated credit facility issue costs related to the sale of the power generation business partially offset by our equity share of income of Capital Power, interest revenue on the long-term loans receivable from Capital Power L.P. and positive operating income as a result of the transfer of Gold Bar on March 31, 2009.

- June 30, 2009 second quarter results included unrealized fair value gains resulting from the impact of low Alberta power prices on the Company's derivative electricity contracts that were not designated as hedges for accounting purposes, unrealized fair value gains on Capital Power Income L.P.'s forward foreign exchange contracts used to economically hedge U.S. cash flows and positive operating income as a result of the transfer of Gold Bar on March 31, 2009.

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. Forward-looking information in this MD&A includes: (i) expectations regarding the Company's 2011 capital expenditure plan; (ii) sources of funding for 2011 working capital and contractual obligations; (iii) sources of funding for 2011 financing requirements; (iv) expectations regarding the impact on the Company of the capital and credit market instability and expected risk mitigation plans; (v) expected impact on future financial reporting of conversion to IFRS and expected timing and impact on the Company's financial reporting of announced changes to IFRS; and (vi) expectations regarding the filing of rate applications in 2011.

These statements are based on certain assumptions and analyses made by the Company in light of its experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate. The material factors and assumptions underlying this forward-looking information include, but are not limited to: (i) the operation of the Company's facilities; (ii) the Company's assessment of the markets and regulatory environments in which it operates; (iii) weather; (iv) availability and cost of labour and management resources; (v) performance of contractors and suppliers; (vi) availability and cost of financing; (vii) foreign exchange rates; (viii) management's analysis of applicable tax legislation; (ix) the currently applicable and proposed tax laws will not change and will be implemented; (x) counterparties will perform their obligations; (xi) expected interest rates, related credit spreads and mortality rates for floating-rate notes; (xii) ability to implement strategic initiatives which will yield the expected benefits; (xiii) the Company's assessment of capital markets; and (xiv) factors and assumptions in addition to the above related to the Company's 54% equity interest in Capital Power.

Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks and uncertainties which could cause actual results and experience to differ materially from EPCOR's expectations. The primary risks and uncertainties relate to: (i) operation of the Company's facilities; (ii) unanticipated maintenance and other expenditures; (iii) electricity load settlement; (iv) regulatory and government decisions including changes to environmental, financial reporting and tax legislation; (v) weather and economic conditions; (vi) competitive pressures; (vii) construction; (viii) availability and cost of financing; (ix) foreign exchange; (x) availability of labour and management resources; (xi) performance of counterparties, partners, contractors and suppliers in fulfilling their obligations to the Company; and (xii) risks in addition to the above related to the Company's 54% equity interest in Capital Power, including power plant availability and performance.

This MD&A includes the following updates to previously issued forward-looking statements: (i) regulatory approval for the Chaparral acquisition occurred during the first quarter of 2011 as opposed to during the second quarter of 2011 as previously disclosed; and (ii) based on a revised schedule, Distribution and Transmission expects to file its first PBR application in July 2011 as opposed to May 2011 as previously disclosed.

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