EPCOR Utilities Inc.
Interim Management's Discussion and Analysis
June 30, 2016

This management's discussion and analysis (MD&A) dated August 4, 2016, should be read in conjunction with the condensed consolidated interim financial statements of EPCOR Utilities Inc. for the three months and six months ended June 30, 2016 and 2015, including significant accounting policies adopted (note 3) and financial instruments (2016 note 5 and 2015 note 7), the consolidated financial statements and MD&A for the year ended December 31, 2015, 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 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. This MD&A was approved and authorized for issue by the Board of Directors on August 4, 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 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. EPCOR also provides wastewater collection services in Western Canada and Southwestern U.S. and the water business includes design, build, finance, operating and maintenance services for municipal and industrial customers in Western Canada.

Net income was $67 million and $145 million for the three and six months ended June 30, 2016, respectively, compared with net income of $139 million and $208 million for the comparative periods in 2015, respectively. The decrease of $72 million and $63 million, respectively, from the comparative periods, was in part due to the gains on sale of a portion of and on reclassification of the investment in Capital Power L.P. in April 2015 with no corresponding gains in 2016, lower favorable fair value adjustments related to financial electricity purchase contracts, and lower income from Capital Power. Partially offsetting these decreases were higher approved electricity and water customer rates and higher income related to industrial service contracts. In addition, for the six months ended June 30, 2016, the Company realized gains on sale of surplus land.

EPCOR's core operations performed well in the second quarter without any significant issues or disruptions to customers. There was no damage to EPCOR's assets as a result of the Fort McMurray wildfire. Water and wastewater for various work camps north of Fort McMurray continued to be provided by EPCOR subject to some site shutdowns. Net income from core operations was $68 million and $143 million for the three and six months ended June 30, 2016, respectively, compared with $48 million and $98 million for the comparative periods in 2015, respectively, as described in the net income table on page 3 of this MD&A. The increase in income from core operations, as mentioned above, was driven in part by higher approved electricity and water customer rates and higher income related to industrial service contracts. In addition, the increase for the six months ended June

30, 2016 was also due to gains on sale of surplus land. Income from core operations is a non-IFRS financial measure as described in Net Income on page 2 of this MD&A.

CONSOLIDATED RESULTS OF OPERATIONS

Revenues

(unaudited, $millions)		Three months		Six months
Revenues for the periods ended June 30, 2015	**$**	**489**	**$**	**962**
Lower Water Services segment revenues		(6)		(2)
Higher electricity Distribution and Transmission segment revenues		22		35
Lower Energy Services segment revenues		(15)		(26)
Other		(11)		(15)
Decrease in revenues from core operations		(10)		(8)
Revenues for the periods ended June 30, 2016	**$**	**479**	**$**	**954**

Consolidated revenues were lower by $10 million and $8 million for the three and six months ended June 30, 2016, respectively, compared with the corresponding periods in 2015 primarily due to the net impact of the following:

- Water Services segment revenues were lower for the three and six months ended June 30, 2016, compared with the corresponding periods in 2015 primarily due to lower construction revenues from the Regina wastewater treatment plant project, partially offset by higher customer rates and volumes, industrial service contracts revenues and foreign exchange translation gains.
- Electricity Distribution and Transmission segment revenues were higher for the three and six months ended June 30, 2016, compared with the corresponding periods in 2015 primarily due to higher approved electricity customer rates.
- Energy Services segment revenues were lower for the three and six months ended June 30, 2016, compared with the corresponding periods in 2015 primarily due to lower electricity prices partially offset by higher volumes.

Net Income

We use income from core operations to distinguish operating results from the Company's water and electricity businesses from results related to its investment in Capital Power and changes in the fair value of financial instruments. In the first quarter of 2016, the definition of income from core operations was revised to exclude changes in the fair value of financial instruments. The change in the fair value of financial instruments is the difference between the opening fair value of the derivative instrument for the period and the closing fair value of the derivative instrument. Income from core operations 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. Net income from core operations is presented as it provides a useful financial measure of the Company's core operations and it is referred to by debt holders and other interested parties in evaluating the Company's financial performance and in assessing its creditworthiness.

(Unaudited, $ millions)		Three months		Six months
Net income for the period ended June 30, 2015	**$**	**139**	**$**	**208**
2015 change in the fair value of contracts-for-difference		(36)		(46)
2015 change in the fair value of interest rate swaps		(3)		2
2015 equity share of income from Capital Power L.P. (net of income tax recovery)		-		(14)
2015 dividend income from available-for-sale investment in Capital Power		(3)		(3)
2015 gain on sale of a portion of investment in Capital Power L.P. (net of income tax)		(19)		(19)
2015 gain on reclassification of investment in Capital Power L.P. as available-for-sale investment (net of income tax)		(30)		(30)
2015 income from core operations		**48**		**98**
Higher Water Services segment operating income		6		22
Higher electricity Distribution and Transmission segment operating income		10		19
Higher Energy Services segment operating income excluding change in the fair value of contracts-for-differences		3		6
Other		1		(2)
Increase in income from core operations		20		45
2016 income from core operations		**68**		**143**
2016 change in the fair value of contracts-for-difference		(3)		2
2016 change in the fair value of interest rate swaps		(2)		(7)
2016 dividend income from available-for-sale investment in Capital Power		4		7
Net income for the period ended June 30, 2016	**$**	**67**	**$**	**145**

Explanations of the variances in net income for the three and six months ended June 30, 2016 are as follows:

- Less favorable changes in the fair value of contracts-for-differences.
- Less favorable fair value adjustments related to interest rate swaps for the three months and six months ended June 30, 2016, compared with the corresponding periods in 2015.
- EPCOR's equity share of income of Capital Power L.P. was lower for the six months ended June 30, 2016, compared with the corresponding period in 2015. This was 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, when the Company's ownership interest was reduced to below 10%.
- EPCOR's dividend income from the available-for-sale asset in Capital Power was higher for the three and six months ended June 30, 2016, compared with the corresponding periods in 2015. This was due to accounting for the investment in Capital Power as an available-for-sale asset commencing in the second quarter of 2015 as described above and an increase in the dividend rate.
- EPCOR recognized a gain on sale of a portion of its investment in Capital Power L.P. in April 2015 with no corresponding transaction in 2016.
- EPCOR recognized a gain on the initial recognition of the investment in Capital Power as an available-for-sale asset in April 2015 with no corresponding gain in 2016.

Income from core operations increased by $20 million and $45 million for the three and six months ended June 30, 2016. Changes in each business segment's operating results compared with the corresponding periods in 2015 are described in Segment Results.

SEGMENT RESULTS

Water Services

(Unaudited, $ millions, including intersegment transactions)	Three months ended June 30,				Six months ended June 30,			
		2016		2015		2016		2015
Revenues	$	174	$	180	$	325	$	327
Expenses		(115)		(127)		(219)		(243)
Operating income	**$**	**59**	**$**	**53**	**$**	**106**	**$**	**84**

Water Services' operating income increased by $6 million for the three months ended June 30, 2016, compared with the corresponding period in 2015 primarily due to higher income related to industrial services contracts and higher approved customer rates, partially offset by higher depreciation.

Water Services' operating income increased by $22 million for the six months ended June 30, 2016, compared with the corresponding period in 2015 primarily due to the gains on sales of surplus land, higher income related to industrial services contracts, and higher approved customer rates, partially offset by higher depreciation.

Distribution and Transmission

(Unaudited, $ millions, including intersegment transactions)	Three months ended June 30,				Six months ended June 30,			
		2016		2015		2016		2015
Revenues	$	164	$	142	$	320	$	285
Expenses		(139)		(127)		(256)		(240)
Operating income	**$**	**25**	**$**	**15**	**$**	**64**	**$**	**45**

Distribution and Transmission's operating income increased by $10 million and $19 million for the three and six months ended June 30, 2016, respectively, compared with the corresponding periods in 2015 primarily due to higher net system access collections and customer rates. This was partially offset by higher depreciation.

Energy Services

(Unaudited, $ millions, including intersegment transactions)	Three months ended June 30,				Six months ended June 30,			
		2016		2015		2016		2015
Revenues	$	188	$	203	$	405	$	431
Expenses		(181)		(160)		(380)		(368)
Operating income		**7**		**43**		**25**		**63**
Exclude change in the fair value of contracts-for-differences		3		(36)		(2)		(46)
Operating income excluding change in the fair value of contracts-for-differences	**$**	**10**	**$**	**7**	**$**	**23**	**$**	**17**

Energy Services' operating income excluding change in the fair value of contracts-for-differences increased by $3 million and $6 million for the three and six months ended June 30, 2016, respectively, compared with the corresponding periods in 2015 primarily due to higher Energy Price Setting Plan margins, partially offset by lower billing charge rates.

Capital Spending and Investment

(Unaudited, $ millions) **Six months ended June 30,**		**2016**		**2015**
Water Services	$	79	$	84
Distribution and Transmission		126		103
Energy Services		2		-
Corporate		3		4
Total capital spending and investment	**$**	**210**	**$**	**191**

Total capital spending and investment was higher for the six months ended June 30, 2016, compared with the corresponding period in 2015 primarily due to increased spending in the Distribution and Transmission segment on the Advanced Meter Infrastructure Project (performance improvement) and the Work Centre Redevelopment Project (lifecycle replacement), and increased spending in the Water segment on lifecycle projects. This was partially offset by the completion of construction at the new laboratory and office building at the Rossdale location in the Water Services segment in 2015.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION - ASSETS

(Unaudited, $ millions)	**June 30, 2016**	**December 31, 2015**	**Increase (decrease)**	**Explanation of material changes**
Cash and cash equivalents	$ 29	$ 36	$ (7)	Refer to Consolidated Statements of Cash Flows section.
Trade and other receivables	466	620	(154)	Decrease primarily due to payment of the current portion of the Capital Power receivable related to the back-to-back debt and the Regina milestone payment, lower electricity billings and accruals resulting from lower electricity price and volumes, partially offset by an increase in current portion of Regina long-term receivable (see below).
Inventories	16	15	1	
Finance lease receivables	1	1	-	
Other financial assets	271	316	(45)	Decrease due to portions of the Regina long-term receivable reclassified to trade and other receivables, net of construction financing.
Deferred tax assets	80	77	3	Increase due to recognition of tax loss carry-forwards amounts.
Available-for-sale investment in Capital Power	181	167	14	Increase due to fair value adjustments.
Property, plant and equipment	4,666	4,568	98	Increase primarily due to capital expenditures partially offset by depreciation expense, unfavorable foreign currency valuation adjustments, sale of land, and asset retirements.
Intangible assets and goodwill	274	288	(14)	Decrease primarily due to unfavorable foreign currency valuation adjustments and amortization of assets with finite lives, partially offset by capital expenditures.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION – LIABILITIES AND EQUITY

(Unaudited, $ millions)	June 30, 2016	December 31, 2015	Increase (decrease)	Explanation of material changes
Trade and other payables	249	259	(10)	Decrease primarily due to lower electricity accruals resulting from lower electricity prices and volumes.
Loans and borrowings (including current portion)	1,960	2,117	(157)	Decrease primarily due to repayment of long-term debt and favorable foreign currency valuation adjustments on U.S. dollar denominated debt.
Deferred revenue (including current portion)	973	952	21	Increase primarily due to contributions received partially offset by deferred revenue recognized and favorable foreign currency valuation adjustments.
Provisions (including current portion)	130	160	(30)	Decrease primarily due to payout of employee benefits and favorable foreign currency valuation adjustments, partially offset by accrual of employee benefit obligations.
Derivative liabilities (including current portion)	18	12	6	Increase primarily due to higher unfavorable fair value adjustments related to the interest rate swaps.
Other liabilities (including current portion)	37	38	(1)	
Deferred tax liabilities	40	35	5	Increase primarily due to tax depreciation in excess of accounting depreciation.
Equity attributable to the Owner of the Company	2,577	2,515	62	Increase due to increase in net income, partially offset by other comprehensive loss and dividends paid.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited, $ millions)
Cash inflows (outflows)

Three months ended June 30,	2016	2015	Increase (decrease)	Explanation
Operating	$ 87	$ 170	$ (83)	Decrease primarily reflects lower funds from operations and changes in non-cash operating working capital. The lower funds from non-cash working capital resulted from a lower increase in accounts payables, partially offset by a decrease in trade and other receivables
Investing	(109)	95	(204)	Decrease primarily due to no sale of investment in Capital Power in 2016 and lower distributions received from Capital Power partially offset by lower advances on other financial assets.
Financing	15	(148)	163	Increase primarily due to higher net short-term loan borrowings.
Opening cash and cash equivalents	36	40	(4)	
Closing cash and cash equivalents	$ 29	$ 157	$ (128)	

(Unaudited, $ millions) Cash inflows (outflows) Six months ended June 30,	2016	2015	Increase (decrease)	Explanation
Operating	$ 223	$ 283	$ (60)	Decrease primarily reflects lower funds from operations and changes in non-cash operating working capital. The lower funds from non-cash operating working capital resulted from a decrease in accounts payable, partially offset by a higher decrease in trade and other receivables.
Investing	(26)	15	(41)	Decrease primarily due to no sale of investment in Capital Power in 2016, higher capital expenditures, and lower distributions received from Capital Power, partially offset by higher payments received on other financial assets, net of advances, including the payment received from Capital Power related to the back-to-back debt and proceeds on disposal of property, plant and equipment.
Financing	(204)	(178)	(26)	Decrease primarily due to higher repayment of long-term debt, partially offset by lower repayment of short-term loans and borrowings.
Opening cash and cash equivalents	36	37	(1)	
Closing cash and cash equivalents	$ 29	$ 157	$ (128)	

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 for the remainder of 2016 with a combination of cash on hand, cash flow from operating activities, the issuance of commercial paper, public and / 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, to fund 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 was in place or insurance proceeds were received.

Capital Requirements and Contractual Obligations

During the second quarter of 2016, there were no material changes to the Company’s capital requirements or purchase obligations, including payments for the next five years and thereafter as previously disclosed in the 2015 annual MD&A.

Financing

Generally, our external capital is raised at the corporate level and invested in the operating business units. Our external financing consists 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:

(Unaudited, $ millions) **June 30, 2016**	**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	$ -	$ 40	$ 160
Syndicated bank credit facility	November 2020	350	99	-	251
Total committed		550	99	40	411
Uncommitted					
Bank line of credit	No expiry	25	-	-	25
Total uncommitted		25	-	-	25
Total credit facilities		**$ 575**	**$ 99**	**$ 40**	**$ 436**

1 Restricted to letters of credit.

(Unaudited, $ 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.

Letters of credit are issued to meet the credit requirements of energy market participants and conditions of certain service agreements. Letters of credit totaling $40 million (December 31, 2015 - $48 million) were issued and outstanding at June 30, 2016.

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.

The Company has a Canadian base shelf prospectus under which it may raise up to $1 billion of debt with maturities of not less than one year. At June 30, 2016, the available amount remaining under this base shelf prospectus was $1 billion (December 31, 2015 - $1 billion). The base shelf prospectus expires in December 2017.

Commercial paper was issued and outstanding at June 30, 2016 for $99 million (December 31, 2015 - $98 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.

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.

For further information on the Company's contractual obligations, refer to the 2015 annual MD&A.

RISK MANAGEMENT

This section should be read in conjunction with the Risk Management section of the 2015 annual MD&A. EPCOR faces a number of risks including strategy execution risk, regulatory risk, political and legislative risk, health and safety risk, risk related to investment in Capital Power, information technology related security risks, water scarcity risk, environment risk, operational risks, electricity price and volume risk, project risk, weather risk, financial liquidity risk, counterparty credit risk, availability of people, foreign exchange risk, conflicts of interest, and general economic conditions, business environment and other risks. The Company employs active programs to manage these risks.

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 2015 annual MD&A that have affected the condensed consolidated interim financial statements for the six months ended June 30, 2016.

CRITICAL ACCOUNTING ESTIMATES

In preparing the condensed consolidated interim financial statements, management necessarily made judgments and 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 and income taxes. 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. 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 other critical accounting estimates, refer to the 2015 annual consolidated financial statements and 2015 annual MD&A.

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 customer growth and lifecycle replacement of existing infrastructure primarily related to the Edmonton and U.S. based operations. We also intend to expand our water and electricity commercial services activities.

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.

In June 2016, EPCOR submitted a proposal to Edmonton City Council (City Council) outlining the potential benefits of transferring the City's Drainage Utility Services (Drainage) to EPCOR and City Council voted in favor of proceeding with a review to determine the feasibility of the proposed transfer. This review will involve an independent, third-party assessment with a final report for City Council's consideration expected in October 2016. EPCOR currently operates three of the four components of the City's water utility cycle – water treatment, water distribution and wastewater treatment. The City's Drainage department operates the fourth component of the water system, the wastewater and storm water collection system.

EPCOR has been awarded franchises by three municipalities in the Southern Bruce region of Ontario near Kincardine to build and operate a natural gas distribution system. In March 2016, EPCOR applied to the Ontario Energy Board (OEB) for the approval of these franchise agreements. The OEB is expected to consider these applications following its Decision in a generic proceeding that is considering alternative ratemaking frameworks for natural gas service for Ontario communities that do not currently have access to natural gas.

In the second quarter of 2016, the Company was notified by the City of Lloydminster that discussions related to the creation of a municipal utility corporation were being placed on hold.

EPCOR's Water segment filed its 2017 – 2021 Edmonton water and wastewater performance-based rate application in the second quarter of 2016. A decision on the application is expected in the fourth quarter of 2016.

EPCOR's Distribution and Transmission segment received a $9 million refund from the Alberta Electricity System Operator for the 2013 and 2014 Deferral Account Reconciliation in the first quarter of 2016. This amount will be refunded to customers in the third quarter of 2016.

The Energy Services segment received approval of their 2016 – 2018 Energy Price Setting Plan in the first quarter of 2016. The Company is approved to implement the new plan in the third quarter of 2016. The plan will adapt more quickly to changes in wholesale market conditions thereby reducing EPCOR's risk.

QUARTERLY RESULTS

(Unaudited, $ millions)

Quarters ended	Revenues	Net income
June 30, 2016	$ 479	$ 67
March 31, 2016	475	78
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

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

- June 30, 2016 second quarter results included lower favorable fair value adjustments related to financial electricity purchase contracts and interest rate swaps and excluded any gains related to Capital Power. These decreases were partially offset by higher approved electricity and water customer rates and higher income related to industrial service contracts.
- March 31, 2016 first quarter results included higher approved electricity and water customer rates, gains on sales of surplus lands, higher income related to industrial services contracts, and higher dividend income from Capital Power. This was partially offset by no equity share of income of Capital Power, and lower favorable fair value adjustments on financial electricity purchase contracts.
- December 31, 2015 fourth quarter results included an 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 customer 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 a gain on sale of a portion of investment in Capital Power and a 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.

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
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 such that EPCOR no longer deems it feasible to sell all or substantially all of its 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 to differ from expectations and are identified in the 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.