EPCOR Utilities Inc.
Interim Management's Discussion and Analysis
September 30, 2015

This management's discussion and analysis (MD&A) dated November 10, 2015, should be read in conjunction with the condensed consolidated interim financial statements of EPCOR Utilities Inc. for the three months and nine months ended September 30, 2015, including significant accounting policies (note 3) and financial instruments (note 7), the consolidated financial statements and MD&A for the year ended December 31, 2014, including standards and interpretations not yet applied (note 3(x)), related party transactions (note 28) and financial instruments (note 29), and the cautionary statement regarding forward-looking information at the end of this MD&A. In this MD&A, any reference to "the Company", "EPCOR", "it", "its", "we", "our" or "us", except where otherwise noted or the context otherwise indicates, means EPCOR Utilities Inc., together with its subsidiaries and joint arrangements. In this MD&A, Capital Power refers to Capital Power Corporation and its directly and indirectly owned subsidiaries including Capital Power L.P., except where otherwise noted or the context otherwise indicates. Financial information in this MD&A is based on the September 30, 2015, 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 November 10, 2015.

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 serval other communities in Western Canada and the Southwestern US, and provides similar services and water and wastewater plant financing and construction services to industrial customers in Western Canada.

EPCOR's net loss was $13 million for the three months ended September 30, 2015, compared with net income of $23 million for the comparative period in 2014. The decrease of $36 million for the three months ended September 30, 2015, was primarily due to the impairment of the available-for-sale investment in Capital Power and higher unfavorable fair value adjustments related to financial electricity purchase contracts, partially offset by higher approved water and electricity customer rates. EPCOR's net income was $195 million for the nine months ended September 30, 2015, compared with net income of $116 million for the comparative period in 2014. The increase of $79 million for the nine months ended September 30, 2015, was in part due to higher approved water and electricity customer rates, higher equity share of income and dividend income from our investment in Capital Power, and lower tax expense due to the re-organization of Energy Services in 2014. Partially offsetting these increases was higher delivery service charges in our Distribution and Transmission segment.

EPCOR's core operations performed well in the third quarter without any significant issues or disruptions to customers. Net income from core operations was $34 million and $176 million, respectively, for the three and nine months ended September 30, 2015, compared with $33 million and $115 million, for the respective comparative periods in 2014, as described in the net income table on page 3. The increase in income from core operations for the three months ended September 30, 2015, as mentioned above, was driven in part by improved rates, partially offset by higher unfavorable fair value adjustments related to financial electricity purchase contracts. The increase in income from core operations for the nine months ended September 30, 2015, was driven in part by improved rates and higher favorable fair value adjustments related to financial electricity purchase contracts. Income from core operations is a non-IFRS financial measure as described in Net Income on page 3 of this MD&A.

At September 30, 2015, the quoted market price of the common shares of Capital Power was $18.88 per share. Management has used judgment to determine that the fair value of its investment in Capital Power has declined significantly since April 2, 2015, when it was initially reclassified as an available-for-sale asset at $24.11 per share. Accordingly, management has concluded that due to the significant decline in share price, the available-for-sale investment in Capital Power is impaired. As a result, the Company has recognized an impairment and reclassified the accumulated loss of $50 million before tax from other comprehensive income to net income.

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

In April 2015, EPCOR exchanged 9,450,000 limited partnership units for an equal number of common shares of Capital Power Corporation which were immediately sold at an offering price of $23.85 per share for aggregate gross proceeds of $225 million. As a result of this transaction, the Company recognized a net gain before income tax of $21 million in net income, including $9 million on items previously recognized in other comprehensive income. In addition, EPCOR exchanged all of its remaining 9,391,000 exchangeable limited partnership units for common shares of Capital Power Corporation. Following the completion of the offering, EPCOR directly owns 9% of Capital Power and as a result, the Company lost significant influence over Capital Power. Accordingly, the Company reclassified its remaining investment in Capital Power as an available-for-sale asset on April 2, 2015 at the market value of $24.11 per share. On initial recognition of investment in Capital Power as an available-for-sale asset, the Company recognized a net gain before income tax of $32 million in net income including $9 million on items previously recognized in other comprehensive income.

In April 2015, David Stevens, EPCOR President & CEO, announced he would be retiring from EPCOR. Mr. Stevens remained in his position until September 1, 2015. In August 2015, the Board of Directors announced the appointment of Stuart Lee as the new EPCOR President & CEO effective September 1, 2015.

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

CONSOLIDATED RESULTS OF OPERATIONS

Revenues

(Unaudited, $ millions)	Three months	Nine months
Revenues for the periods ended September 30, 2014	**$ 506**	**$ 1,405**
Higher Water Services segment revenues	20	88
Higher electricity Distribution and Transmission segment revenues	7	38
Lower Energy Services segment revenues	(14)	(46)
Other	(8)	(12)
Increase in revenues from core operations	5	68
Revenues for the periods ended September 30, 2015	**$ 511**	**$ 1,473**

Consolidated revenues were higher by $5 million and $68 million for the three and nine months ended September 30, 2015, respectively, compared with the corresponding periods in 2014 primarily due to the net impact of the following:

- Water Services segment revenues were higher for the three and nine months ended September 30, 2015, compared with the corresponding periods in 2014 primarily due to higher construction revenues, approved customer rates and volumes, foreign exchange translation gains, and commercial revenues.
- Electricity Distribution and Transmission segment revenues were higher for the three and nine months ended September 30, 2015, compared with the corresponding periods in 2014 primarily due to higher approved electricity rates
- Energy Services segment revenues were lower for the three and nine months ended September 30, 2015, compared with the corresponding periods in 2014 primarily due to lower electricity prices and volumes partially offset by higher rates.

Net Income

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

(Unaudited, $ millions)		**Three months**		**Nine months**
Net income for the period ended September 30, 2014	**$**	**23**	**$**	**116**
2014 equity share of loss (income) from Capital Power (net of income tax)		10		(1)
2014 income from core operations		**33**		**115**
Higher Water Services segment operating income		12		26
Higher electricity Distribution and Transmission segment operating income		6		18
Higher (lower) Energy Services segment operating income		(22)		11
Higher net financing expense		(1)		(2)
Other		6		8
Increase in income from core operations		1		61
2015 income from core operations		**34**		**176**
2015 equity share of income from Capital Power (net of income tax recovery)		-		14
2015 dividend income from available-for-sale investment in Capital Power		3		6
2015 gain on sale of a portion of investment in Capital Power (net of income tax)		-		19
2015 gain on reclassification of investment in Capital Power as available-for-sale investment (net of income tax)		-		30
2015 impairment of available-for-sale investment in Capital Power		(50)		(50)
Net income (loss) for the period ended September 30, 2015	**$**	**(13)**	**$**	**195**

Net income was lower for the three months and higher for the nine months ended September 30, 2015, compared with the corresponding periods in 2014 primarily due to the following:

- Changes in each business segment's operating results for the three and nine months ended September 30, 2015, compared with the corresponding periods in 2014 are described under Segment Results below.
- Net financing expense was higher for the three and nine months ended September 30, 2015, compared with the corresponding period in 2014 primarily due to a higher unfavorable fair value adjustments related to interest rate swaps.
- Other was higher for the three months ended September 30, 2015, compared with the corresponding period in 2014 primarily due to lower income tax expense on the fair value adjustments to the available-for-sale asset recognized in other comprehensive income.
- Other was higher for the nine months ended September 30, 2015, compared with the corresponding period in 2014 primarily due to lower taxes due to the re-organization of the Energy Services segment (see below).
- EPCOR's equity share of income of Capital Power was lower for the three months ended September 30, 2015, compared with the corresponding period in 2014. This was due to the change from equity accounting to fair value accounting for the investment in Capital Power as a result of the loss of significant influence.
- EPCOR's equity share of income of Capital Power was higher for the nine months ended September 30, 2015, compared with the corresponding period in 2014. This was primarily due to the Company's equity share of higher Capital Power net income earned in the first quarter of 2015 compared to lower Capital Power net income earned in the first nine months of 2014. Also, there was an income tax recovery in 2015 compared to income tax expense in 2014.
- EPCOR's dividend income from the available-for-sale asset in Capital Power was higher for the three and nine months ended September 30, 2015, compared with the corresponding periods in 2014. This was due to accounting for the investment in Capital Power as an available-for-sale asset in 2015, as described above, with no comparable accounting treatment in 2014.
- EPCOR recognized a gain on sale of a portion of its investment in Capital Power in 2015 with no corresponding transaction in 2014. A gain on sale resulted from proceeds received less direct expenses that were higher than the carrying amount of the portion of the Company's investment in Capital Power sold. A proportionate share of items initially recognized in other comprehensive income were reclassified to net income which also contributed to the gain.
- EPCOR recognized a gain on the initial recognition of the investment in Capital Power as an available-for-sale asset in 2015 with no corresponding transaction in 2014. All remaining items initially recognized in other comprehensive income were reclassified to net income which contributed to the gain.
- EPCOR recognized an impairment of the available-for-sale investment in Capital Power in 2015 with no corresponding transaction in 2014. The fair value loss on the available-for-sale investment in Capital Power recognized in other comprehensive income was reclassified to net income.

SEGMENT RESULTS

Water Services

(Unaudited, $ millions, including intersegment transactions)	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Revenues	$ 191	$ 171	$ 518	$ 430
Expenses	(128)	(120)	(371)	(309)
Operating income	**$ 63**	**$ 51**	**$ 147**	**$ 121**

Water Services' operating income increased by $12 million and $26 million for the three and nine months ended September 30, 2015, respectively, compared with the corresponding periods in 2014 primarily due to higher approved customer rates, increased volumes, higher construction activity and a Suncor termination fee. This was partially offset by higher depreciation.

Distribution and Transmission

(Unaudited, $ millions, including intersegment transactions)	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Revenues	$ 148	$ 141	$ 433	$ 395
Expenses	(128)	(127)	(368)	(348)
Operating income	**$ 20**	**$ 14**	**$ 65**	**$ 47**

Distribution and Transmission's operating income increased $6 million for the three months ended September 30, 2015, compared with the corresponding period in 2014 due to higher provincial system access fee revenue collections, distribution access rates and lower provincial system access fee expenses partially offset by higher depreciation.

Distribution and Transmission's operating income increased by $18 million for the nine months ended September 30, 2015, due to higher provincial system access fee revenue collections and distribution access rates. This was partially offset by higher provincial system access fee expenses and depreciation.

Energy Services

(Unaudited, $ millions, including intersegment transactions)	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Revenues	$ 219	$ 233	$ 650	$ 696
Expenses	(248)	(240)	(616)	(673)
Operating income (loss)	**$ (29)**	**$ (7)**	**$ 34**	**$ 23**

Energy Services' operating loss increased by $22 million for the three months ended September 30, 2015, compared with the corresponding periods in 2014 primarily due to higher unfavorable fair value adjustments related to financial electricity purchase contracts. This was partially offset by higher billing charge rates and higher Energy Price Setting Plan margins.

Energy Services' operating income increased by $11 million for the nine months ended September 30, 2015, compared with the corresponding periods in 2014 primarily due to higher billing charge rates, higher favorable fair value adjustments related to financial electricity purchase contracts and higher Energy Price Setting Plan margins.

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

Capital Spending and Investment

(Unaudited, $ millions) **Nine months ended September 30,**		**2015**		**2014**
Water Services	$	153	$	121
Distribution and Transmission		165		138
Energy Services		1		2
Corporate		7		4
Total capital spending and investment	**$**	**326**	**$**	**265**

Total capital spending and investment was higher for the nine months ended September 30, 2015, compared with the corresponding period in 2014 primarily due to increased spending in the Water Services segment and Distribution and Transmission segment. The Water Services segment had increased capital spend at the Gold Bar wastewater treatment plant, new reservoirs at the Walker and Big Lake booster stations in Edmonton, and on the White Rock Total Water Quality Management project. This was partially offset by decreased water main relocations. The Distribution and Transmission segment had increased capital spend on lifecycle replacement, growth, and performance improvement projects. This was partially offset by decreased construction activity as the Heartland Transmission Project was completed in 2014.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION - ASSETS

(Unaudited, $ millions)	September 30, 2015	December 31, 2014	Increase (decrease)	Explanation of material changes
Cash and cash equivalents	$ 34	$ 37	$ (3)	Refer to Consolidated Statements of Cash Flows section.
Trade and other receivables	585	333	252	Increase primarily due to an increase in current portion of finance lease receivables due from Suncor and other financial assets (see below) and higher customer water rates and volumes, partially offset by lower electricity accruals and billings resulting from lower electricity volumes.
Inventories	15	14	1	
Finance lease receivables	1	118	(117)	Decrease primarily due to re-classifying non-current lease receivables to current (recorded in trade and other receivables above) resulting from the Suncor buy-back decision and repayment of Suncor lease receivable.
Other financial assets	292	408	(116)	Decrease primarily due to portions of Capital Power and Regina long-term receivables and Suncor unbilled construction becoming current and reclassified to trade and other receivables above, partially offset by higher construction revenue recognized.
Deferred tax assets	70	69	1	
Investment in Capital Power	-	393	(393)	Decrease due to the sell-down of a portion of EPCOR's investment in Capital Power, and ceasing equity accounting and re-classifying the investment in Capital Power to an available-for-sale asset (recorded in available-for-sale investment below).
Available-for-sale investment in Capital Power	177	-	177	Increase primarily due to ceasing equity accounting and re-classifying the investment in Capital Power to available-for-sale investment (see above). Partially offsetting these increases were mark-to-market adjustments of the available-for-sale investment in Capital Power.
Property, plant and equipment	4,463	4,112	351	Increase primarily due to capital expenditures and foreign currency valuation adjustments, partially offset by depreciation expense and higher disposals.
Intangible assets and goodwill	280	254	26	Increase primarily due to capital expenditures and foreign currency valuation adjustments, partially offset by amortization expense on assets with finite lives.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION – LIABILITIES AND EQUITY

(Unaudited, $ millions)	September 30, 2015	December 31, 2014	Increase (decrease)	Explanation of material changes
Trade and other payables	264	248	16	Increase primarily due to Regina construction, partially offset by lower electricity purchase accruals as a result of lower wholesale electricity prices
Loans and borrowings (including current portion)	2,025	2,080	(55)	Decrease primarily due to repayment of short-term debt, partially offset by foreign currency valuation adjustments on U.S. debt.
Deferred revenue (including current portion)	941	870	71	Increase primarily due to contributed assets received and favorable foreign currency valuation adjustments, partially offset by revenue recognized.
Provisions (including current portion)	137	135	2	Increase primarily due to contributions from developers, partially offset by lower employee benefit obligations.
Derivative liabilities (including current portion)	12	9	3	Increase primarily due to higher fair value loss on interest rate swap.
Other liabilities (including current portion)	37	37	-	
Deferred tax liabilities	32	19	13	Increase due to change in net taxable temporary differences and foreign currency valuation adjustments.
Equity attributable to the Owner of the Company	2,469	2,340	129	Increase due to increase in net income, partially offset by dividends paid.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited, $ millions)
Cash inflows (outflows)

Three months ended September 30,	2015	2014	Increase (decrease)	Explanation
Operating	$ 21	$ 71	$ (50)	Decrease primarily due to lower non-cash operating working capital primarily resulting from larger decrease in trade and other payable.
Investing	(118)	(120)	2	Increase primarily due to higher payments received on finance lease receivables from Suncor and other financial assets, higher non-cash investing working capital, and higher proceeds on disposal of capital, partially offset by higher capital expenditure, and lower distributions from Capital Power.
Financing	(26)	(11)	(15)	Decrease primarily due to lower issuance of short-term loans, partially offset by repayment of short-term loans and borrowings.
Opening cash and cash equivalents	157	101	56	
Closing cash and cash equivalents	$ 34	$ 41	$ (7)	

(Unaudited, $ millions) **Cash inflows (outflows)** **Nine months ended September 30,**	**2015**	**2014**	**Increase (decrease)**	**Explanation**
Operating	$ 304	$ 253	$ 51	Increase primarily reflects higher funds from operations, partially offset by lower non-cash operating working capital. The lower non-cash working capital is a result from a lower increase in trade and other receivables, partially offset by a larger increase in accounts payable.
Investing	(103)	(251)	148	Increase primarily due to proceeds on sale of portion of the investment in Capital Power, higher non-cash investing working capital, higher payments received on finance lease receivables from Suncor, lower payments for Gold Bar transfer, and higher proceeds on disposal of capital, partially offset by higher capital expenditure, higher advances on financial lease receivables and other assets, and lower distributions from Capital Power.
Financing	(204)	(91)	(113)	Decrease primarily due to repayment of short-term loans and borrowings, partially offset by lower repayment of long-term loans and borrowings.
Opening cash and cash equivalents	37	130	(93)	
Closing cash and cash equivalents	$ 34	$ 41	$ (7)	

LIQUIDITY AND CAPITAL RESOURCES

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

Capital Requirements and Contractual Obligations

During the third quarter of 2015, 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 December 31, 2014, annual MD&A.

Financing

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) **September 30, 2015**	**Expiry**	**Total facilities**	**Banking commercial paper issued**	**Letters of credit and other facility draws**	**Net amounts available**
Committed					
Syndicated bank credit facility[1]	December 2017	$ 200	$ -	$ 57	$ 143
Syndicated bank credit facility	December 2019	350	15	-	335
Total committed		550	15	57	478
Uncommitted					
Bank line of credit	No expiry	25	-	-	25
Total uncommitted		25	-	-	25
Total credit facilities		**$ 575**	**$ 15**	**$ 57**	**$ 503**

1 Restricted to letters of credit.

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

1 Restricted to letters of credit.

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

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 September 30, 2015, the available amount remaining under this base shelf prospectus was $1 billion (December 31, 2014 - $1 billion). The base shelf prospectus expires in December 2015. The Company is presently preparing a new Canadian base shelf prospectus that it expects to file in the fourth quarter of 2015.

The Company expects to have sufficient liquidity to finance its plans and fund its obligations for the remainder of 2015 with a combination of cash on hand, cash flow from operating activities, dividend income from its available-for-sale investment in Capital Power, the issuance of commercial paper and drawings upon existing credit facilities. The Company has an adequate contractual liquidity position with credit available under various bank lines as described above. 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.

EPCOR plans to eventually sell all or a substantial portion of its remaining interest in Capital Power subject to market conditions, based on its requirements for capital and other circumstances that may arise in the future.

Commercial paper was issued and outstanding at September 30, 2015, of $15 million (December 31, 2014 - $103 million).

In August 2015, DBRS confirmed it's A (low) stable senior unsecured debt and issuer ratings for EPCOR. In September 2015, Standard & Poor's confirmed it's A- stable long-term corporate credit and senior debt ratings for EPCOR.

Financial Covenants

EPCOR is currently in compliance with all of its financial covenants in relation to its 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 bank credit facility causing a significant loss of access to liquidity.

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 its bank credit facilities, arrange long-term financing for its capital expenditure programs and acquisitions, or refinance outstanding indebtedness when it matures could be adversely impacted. If market conditions worsen and / or if cash flows and operating results deteriorate significantly for a sustained period of time, the Company may suffer a credit rating downgrade. We believe that these circumstances have a low probability of occurring, however, we continue to monitor our capital programs and operating costs to minimize the risk that the Company becomes short of cash or unable to honor its obligations. If required, the Company would look to reduce capital expenditures and operating costs and / or sell a portion of its investment in Capital Power as market conditions permit.

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. Management made a judgment that its available-for-sale asset was impaired through a significant decline in market value. The following are the items for which significant estimates were made in the 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 2014 annual consolidated financial statements and 2014 annual MD&A.

RISK MANAGEMENT

This section should be read in conjunction with the Risk Management section of the 2014 annual MD&A. EPCOR faces a number of risks including operational risks, regulatory risk, political and legislative risk, electricity price and volume risk, strategy execution risk, risk related to investment in Capital Power, health and safety risk, information technology related security risks, environment risk, project risk, weather risk, financial liquidity risk, availability of people, counterparty credit risk, 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. The risk related to its investment in Capital Power is lower in the condensed consolidated interim financial statements for the nine months ended September 30, 2015, compared to the risk profile or risk management strategies of EPCOR as described in the 2014 annual MD&A.

OUTLOOK

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

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

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

The Company is also in negotiations with the Town of Innisfil to purchase a 50% share of its electrical distribution company, InnPower. The sale will require regulatory approval from the Ontario Energy Board. InnPower will continue to serve as the Town’s electricity distributor to approximately 12,000 sites.

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

QUARTERLY RESULTS

(Unaudited, $ millions) **Quarters ended**	**Revenues**	**Net income (loss)**
September 30, 2015	$ 511	$ (13)
June 30, 2015	489	139
March 31, 2015	473	69
December 31, 2014	499	75
September 30, 2014	506	23
June 30, 2014	435	55
March 31, 2014	464	38
December 31, 2013	492	23

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

- September 30, 2015, third quarter results included the impairment of the available-for-sale investment in Capital Power and unfavorable fair value adjustments related to the financial electricity purchase contracts, partially offset by higher approved water and electricity customer rates, higher billing charge rates, and higher Energy Price Setting Plan margins.
- June 30, 2015, second quarter results included gain on sale of a portion of investment in Capital Power and gain on reclassification of investment in Capital Power to an available-for-sale asset. It also included higher approved water and electricity customer rates, higher fair value adjustments on financial electricity purchase contracts, lower income tax expense due to the re-organization of Energy Services, and favorable fair value adjustments related to the interest rate swap.
- March 31, 2015, first quarter results included higher approved water and electricity customer rates, higher fair value adjustments on financial electricity purchase contracts, higher equity share of income of Capital Power, and lower income tax expense due to the re-organization of Energy Services. This was partially offset by a loss on fair value adjustments related to the interest rate swap.
- December 31, 2014, fourth quarter results included higher approved water and electricity customer rates, recovery of deferred income taxes due to the recognition of loss carry forwards as a result from an increase in forecasted taxable income in Energy Services, gain on dilution of interest in Capital Power and higher income from our equity share of Capital Power, partially offset by higher depreciation on capital assets in service, lower fair value adjustments on interest rate swap and financial electricity purchase contracts, and lower capitalized interest due to lower capital spend during the period.
- September 30, 2014, third quarter results included higher favorable fair value adjustments on financial electricity purchase contracts and higher approved water and electricity customer rates, partially offset by lower income from our equity share of Capital Power.
- June 30, 2014, second quarter results included higher favorable fair value adjustments on financial electricity purchase contracts and higher approved water and electricity customer rates, partially offset by lower income from our equity share of Capital Power.
- March 31, 2014, first quarter results included lower income from our equity share of Capital Power and higher unfavorable fair value adjustments on financial electricity purchase contracts, partially offset by higher approved water and electricity rates.
- December 31, 2013, fourth quarter results included increased income primarily due to a lower impairment charge related to the investment in Capital Power, higher income from our equity share of Capital Power and increased income from higher approved water and electricity customer rates, partially offset by a loss on sale of the partial investment in Capital Power.

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 for the remainder of 2015.	EPCOR is able to generate the expected cash flow from operations and various means of funding remain available to the Company.	EPCOR's operations do not generate the expected level of cash flow and / or circumstances arise limiting or restricting the Company's ability to access funds through the various means otherwise available.
EPCOR plans to eventually sell all or a substantial portion of its remaining interest in Capital Power.	EPCOR is able to find suitable lower-risk businesses and / or assets to invest the sell-down proceeds in. Market conditions permit the sale of Capital Power shares at a price suitable to EPCOR.	EPCOR is unsuccessful in finding suitable businesses and / or assets to invest in, therefore negating further sell downs to raise funds. The market price of Capital Power shares declines to an amount that EPCOR no longer deems it feasible to sell all or substantially all of its interest in Capital Power.

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 2014 Annual Information Form is available on SEDAR at www.sedar.com.