

**EPCOR UTILITIES INC.**

**Management's Discussion and Analysis**

For nine months ended September 30, 2024

# **EPCOR Utilities Inc.**

## **Interim Management's Discussion and Analysis**

### **September 30, 2024**

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This interim management's discussion and analysis (MD&A), dated November 1, 2024 should be read in conjunction with the condensed consolidated interim financial statements of EPCOR Utilities Inc. for the nine months ended September 30, 2024 and 2023, including the cautionary statement regarding forward-looking information at the end of this MD&A. In this MD&A, any reference to "the Company", "EPCOR", "we" or "our", except where otherwise noted or the context otherwise indicates, means EPCOR Utilities Inc., together with its subsidiaries. Financial information in this MD&A is based on the condensed consolidated interim financial statements, which were prepared in accordance with International Accounting Standard – 34 "*Interim Financial Reporting*" as issued by International Accounting Standards Board (IASB) and is presented in Canadian dollars unless otherwise specified. Terms used throughout this MD&A are defined in the Glossary at the end of this document.

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 approved this MD&A on November 1, 2024.

### **Overview of Business and Financial Results**

The Company builds, owns and operates electrical, natural gas, and water transmission and distribution networks, water and wastewater treatment facilities, and sanitary and stormwater systems in Canada and the United States (U.S.). The Company also provides electricity, natural gas and water products and services to residential and commercial customers. The Company provides Regulated Rate Option (RRO) and default supply electricity related services and sells electricity and natural gas to Alberta residential and commercial consumers under contracts through its Encor brand. In addition, EPCOR provides design, build, finance, operating and maintenance services for electrical, water and wastewater infrastructure for municipal and industrial customers in Canada and the U.S. EPCOR operates its business under the Water Services, Distribution and Transmission, Energy Services, North American Commercial Services and U.S. Regulated Water segments.

Net income was \$131 million and \$339 million for the three and nine months ended September 30, 2024, respectively, compared with net income of \$118 million and \$266 million for the comparative periods in 2023, respectively. The increase of \$13 million and \$73 million for the three and nine months ended September 30, 2024, respectively, was primarily due to fair value adjustments related to financial electricity purchase contracts, higher Adjusted EBITDA (as described below), partially offset by lower transmission system access service charge net collections combined with higher depreciation, income tax and finance expenses.

Adjusted EBITDA is a non-GAAP financial measure and is not a standardized financial measure under IFRS Accounting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and might not be comparable to similar financial measures disclosed by other issuers. It is described in the Adjusted EBITDA and Net Income section on page 3 of this MD&A.

Adjusted EBITDA was \$326 million and \$860 million for the three and nine months ended September 30, 2024, respectively, compared with \$305 million and \$805 million for the comparative periods in 2023, respectively. The increase of \$21 million and \$55 million for the three and nine months ended September 30, 2024, respectively, was primarily due to higher rates, consumption, customer growth and commercial activity, partially offset by lower commercial construction activity and Energy Price Setting Plan (EPSP) margins combined with higher operating costs.

## **Significant Events**

### **Samsung Austin Semiconductor, LLC (Samsung) Projects**

The Company signed Project Agreements (PAs) with Samsung, a wholly-owned subsidiary of Samsung Electronics Co., Ltd. to design, build, own, operate, maintain and transfer the project assets to Samsung at the expiry of the full operation and maintenance term, or in certain instances of early termination. The project assets consist of a groundwater supply system (Project Sandow) and an industrial water reclamation facility (Project Blue Sky) to support Samsung's new semiconductor fabrication facility in Taylor, Texas. Substantial completion on Project Sandow was reached in October 2024 and construction continues on Project Blue Sky. The operation and maintenance period of 30 years will follow final commissioning and startup.

At September 30, 2024, the \$75 million (December 31, 2023 - \$258 million) due from Samsung is recorded within trade and other receivables. The \$138 million past due at December 31, 2023 was received from Samsung in the first quarter of 2024. The Company continues to work with Samsung and the Design Build Contractor to resolve disputed charges as they arise, in accordance with the dispute resolution remedies in the various contracts.

At September 30, 2024, the Company recorded \$102 million in the current portion of other financial assets, which represents unbilled construction revenues translated at the period end exchange rate (December 31, 2023 - \$122 million within current portion of other financial assets, \$3 million within non-current portion of other financial assets).

The Company funded \$162 million of Project Sandow as at September 30, 2024 (December 31, 2023 - \$79 million) and recorded a finance lease receivable, which will be recovered over the term of 30 years following final commissioning and startup.

### **Reorganization of Corporate Structure and Reporting Segments**

During the fourth quarter of 2023, the Company realigned its operating segments to reflect the results of an internal reorganization. This resulted in the formation of a new operating segment, North American Commercial Services, which combines certain previously existing businesses in a new reportable segment. Comparative segmented results for the three and nine months ended September 30, 2023 have been restated to align with the 2024 reportable segment presentation.

### **Harmony Advanced Water Systems Corporation Ownership Transfer**

On June 10, 2024, Harmony Advanced Water Systems Corporation (HAWSCo) and EPCOR entered into an agreement for EPCOR to acquire the water and wastewater utility systems to residential and commercial developments for the master-planned community of Harmony near Calgary, Alberta. The agreement received regulatory approval in the third quarter and the transaction closed on October 4, 2024 for consideration of \$20 million including cash consideration of \$15 million and \$5 million in contingent consideration.

## **Subsequent Events**

### **Appointment to the Board of Directors**

Effective November 1, 2024, Brent Hesje was appointed to EPCOR's Board of Directors.

### **Material Accounting Policies Information**

The condensed consolidated interim financial statements for the nine months ended September 30, 2024 and 2023 have been prepared following the same accounting policies and methods as those used in preparing the Company's most recent annual consolidated financial statements.

## Consolidated Results of Operations

### Revenues

(\$ millions)	Three months ended September 30,		Nine months ended September 30,	
	2024	2023 (restated)	2024	2023 (restated)
Water Services segment	\$ 230	\$ 206	\$ 635	\$ 583
Distribution and Transmission segment	114	120	360	364
Energy Services segment	94	252	323	715
North American Commercial Services segment	339	557	1,058	1,441
U.S. Regulated Water segment	104	93	267	244
Other	4	2	7	3
Intersegment eliminations	(18)	(17)	(51)	(51)
<b>Revenues</b>	<b>\$ 867</b>	<b>\$ 1,213</b>	<b>\$ 2,599</b>	<b>\$ 3,299</b>

Consolidated revenues were lower by \$346 million and \$700 million for the three and nine months ended September 30, 2024, respectively, compared with the corresponding periods in 2023 primarily due to the net impact of the following:

- Water Services segment revenues increased by \$24 million and \$52 million for the three and nine months ended September 30, 2024, respectively, primarily due to higher rates, consumption and customer growth.
- Distribution and Transmission segment revenues decreased by \$6 million and \$4 million for the three and nine months ended September 30, 2024, respectively, primarily due to lower transmission system access service charge net collections, partially offset by higher distribution and transmission rates and higher distribution volumes.
- Energy Services segment revenues decreased by \$158 million and \$392 million for the three and nine months ended September 30, 2024, respectively, primarily due to lower electricity rates and volumes resulting from fewer RRO customer sites, partially offset by higher competitive revenues due to higher sites and service fees.
- North American Commercial Services segment revenues decreased by \$218 million and \$383 million for the three and nine months ended September 30, 2024, respectively, primarily due to lower Samsung construction revenues, partially offset by higher commercial activity related to groundwater reservation fees and operation and maintenance revenues.
- U.S. Regulated Water segment revenues increased by \$11 million and \$23 million for the three and nine months ended September 30, 2024, respectively, primarily due to deferred revenue recognized related to higher developer contributions in 2023 and higher rates and consumption.

### Adjusted EBITDA and Net Income

We use earnings before finance expenses, income tax recovery (expense), depreciation and amortization, changes in the fair value of derivative financial instruments, transmission system access service charge net collections, and other unusual items (collectively, Adjusted EBITDA) to discuss operating results for the Company's lines of business.

Change in fair value of derivative financial instruments represents the change in fair value of financial electricity purchase contracts between the electricity market forward prices and the contracted prices at the end of the reporting period, for the contracted volumes of electricity. Transmission system access service charge net collections are the difference between the transmission system access service charges paid to the provincial system operators and the transmission system access service charges collected from electricity retailers. Transmission system access service charge net collections are timing differences, which are collected from or returned to electricity retailers as the transmission system access service charges and customer billing determinants are finalized.

We believe that Adjusted EBITDA provides an indicator of the Company's ongoing ability to fund capital

expenditures, to incur and service debt and to pay dividends to its shareholder and may be useful for external stakeholders in evaluating the operations and performance of the Company. Adjusted EBITDA is a non-GAAP financial measure and is not a standardized financial measure under IFRS and might not be comparable to similar financial measures disclosed by other issuers.

(\$ millions)	Three months ended September 30,		Nine months ended September 30,	
	2024	2023 (restated)	2024	2023 (restated)
<b>Adjusted EBITDA by Segment</b>				
Water Services segment	\$ 145	\$ 124	\$ 374	\$ 332
Distribution and Transmission segment	76	72	217	194
Energy Services segment	13	19	41	47
North American Commercial Services segment	26	28	67	85
U.S. Regulated Water segment	62	56	137	127
Other	4	6	24	20
<b>Adjusted EBITDA</b>	<b>326</b>	<b>305</b>	<b>860</b>	<b>805</b>
Finance expenses	(52)	(46)	(153)	(140)
Income tax expense	(11)	(6)	(26)	(8)
Depreciation and amortization	(115)	(107)	(327)	(317)
Change in fair value of financial electricity purchase contracts	(1)	(29)	6	(85)
Transmission system access service charge net collections	(16)	1	(21)	11
<b>Net income</b>	<b>\$ 131</b>	<b>\$ 118</b>	<b>\$ 339</b>	<b>\$ 266</b>

Changes in each business segment's Adjusted EBITDA, for the three and nine months ended September 30, 2024, compared with the corresponding periods in 2023, are described in Segment Results below. Explanations of the remaining significant variances in net income for the three and nine months ended September 30, 2024, compared with the corresponding periods in 2023, are as follows:

- Higher finance expense of \$6 million and \$13 million for the three and nine months ended September 30, 2024, respectively, was primarily due to interest expense on long-term debt issued in the fourth quarter of 2023 and the second quarter of 2024, partially offset by higher capitalized interest.
- Higher income tax expense of \$5 million and \$18 million for the three and nine months ended September 30, 2024, respectively, was primarily due to higher income subject to tax in Canada, partially offset by lower income subject to tax in the U.S.
- Higher depreciation and amortization of \$8 million and \$10 million for the three and nine months ended September 30, 2024, respectively, primarily due to asset additions, partially offset by gains on asset sales.
- Favourable change in the fair value of financial electricity purchase contracts of \$28 million for the three months ended September 30, 2024 was primarily due to a lower difference in contracted prices compared to electricity market forward prices. Favourable changes in the fair value of financial electricity purchase contracts of \$91 million for the nine months ended September 30, 2024 was primarily due to electricity market forward prices being higher than contracted electricity prices in 2024, compared to contracted prices being higher than electricity market forward prices in 2023.
- Lower transmission system access service charge net collections of \$17 million and \$32 million for the three and nine months ended September 30, 2024, respectively.

## Segment Results

### Water Services

Water Services is primarily involved in the treatment, transmission, distribution and sale of water, the collection and conveyance of sanitary and stormwater and the treatment of wastewater within Edmonton and other communities surrounding Edmonton.

With the scheduled expiration of the EPCOR Drainage Services and Wastewater Treatment Bylaw on March 31, 2025, EPCOR has initiated the process of seeking approval of a new bylaw for these services. A Performance Based Regulation (PBR) application was filed in May 2024 and the approval process with Edmonton City Council is expected to be completed in the fourth quarter of 2024 or in the first quarter of 2025. The PBR application covers a two-year and nine-month period effective from April 1, 2025 to December 31, 2027.

### Water Services Operating Income and Adjusted EBITDA

(Unaudited, \$ millions, including intersegment transactions)	Three months ended		Nine months ended	
	September 30,		September 30,	
	2024	2023 (restated)	2024	2023 (restated)
Revenues	\$ 230	\$ 206	\$ 635	\$ 583
Expenses	137	129	404	391
<b>Operating income</b>	<b>93</b>	<b>77</b>	<b>231</b>	<b>192</b>
Exclude depreciation and amortization	52	47	143	140
<b>Adjusted EBITDA</b>	<b>\$ 145</b>	<b>\$ 124</b>	<b>\$ 374</b>	<b>\$ 332</b>

Water Services' Adjusted EBITDA increased by \$21 million and \$42 million for the three and nine months ended September 30, 2024, respectively, compared with the corresponding periods in 2023, primarily due to higher rates, consumption and customer growth, partially offset by higher staff costs due to escalation.

### Distribution and Transmission

Distribution and Transmission is involved in the transmission and distribution of electricity within Edmonton.

The Alberta Utilities Commission (AUC) initiated a proceeding in June 2022 to establish the parameters of the Performance Based Regulation (PBR) plans for Alberta distribution facility owners effective for 2024. EPCOR received a decision in October 2023 that approved the continuation of a similar framework to the previous plan for the years 2024 to 2028 with some modifications to include an earnings sharing mechanism, increased capital funding provisions and adjustments to the productivity and inflation factor calculations. Additionally, the Commission removed the Efficiency Carry-Over Mechanism that was present in the previous two PBR plans. EPCOR submitted a compliance filing in November 2023 to set the 2024 rates. In March 2024, EPCOR received interim approval, subject to true-ups, of the actual experienced inflation factor and deferral account balances. The final inflation factor and deferral account balances for 2024 will be trueed up and included in 2026 rates.

In October 2021, the AUC issued a decision that revised the regulatory accounting treatment for Alberta Electric System Operator (AESO) directed customer contributions. As per the decision, any AESO directed customer contributions made by the distribution facility owners after April 23, 2021, requires the contributing entity to expense the contributions for regulatory purposes in the year they are incurred. These contributions were previously considered rate base for which the contributing entity earned a return. EPCOR filed a request for permission to appeal this decision with the Court of Appeal of Alberta, which was granted by the court in January 2022. The intent of the appeal is to reverse this decision and treat the contributions as capital investment on which either the transmission facility owner or distribution utility owner is entitled to earn a fair return. The appeal hearing took place in February 2023 and a decision was released in November 2023 wherein the Court determined that the AUC breached its duty of fairness to parties by not providing notice that it intended to consider disallowing utilities a fair return. The matter has been returned to the AUC and a proceeding has been initiated to address the Court's findings. EPCOR has submitted its written submissions on the issues to be addressed. In compliance with the original decision, the Company continues to include contribution related expenses in its deferral account as incurred.

## Distribution and Transmission Operating Income and Adjusted EBITDA

(Unaudited, \$ millions, including intersegment transactions)	Three months ended		Nine months ended	
	September 30,		September 30,	
	2024	2023 (restated)	2024	2023 (restated)
Revenues	\$ 114	\$ 120	\$ 360	\$ 364
Expenses	84	75	251	240
<b>Operating income</b>	<b>30</b>	<b>45</b>	<b>109</b>	<b>124</b>
Exclude depreciation and amortization	30	28	86	82
Exclude transmission system access service charge net collections	16	(1)	22	(12)
<b>Adjusted EBITDA</b>	<b>\$ 76</b>	<b>\$ 72</b>	<b>\$ 217</b>	<b>\$ 194</b>

Distribution and Transmission's Adjusted EBITDA increased by \$4 million and \$23 million for the three and nine months ended September 30, 2024, respectively, compared with the corresponding periods in 2023, primarily due to higher distribution and transmission rates and higher distribution volumes, partially offset by higher operating costs.

### Energy Services

Energy Services is primarily involved in the provision of the RRO electricity service and default supply electricity services to customers in Alberta. The segment also provides competitive electricity and natural gas products under the Encor brand.

The 2023-2024 Non-Energy rate application was filed in September 2023 and the decision was received in June 2024. In February 2024, interim rates were filed for 2024 and were subsequently approved by the AUC. The interim rates went into effect on April 1, 2024. The final rates were approved and went into effect on September 1, 2024.

Application for a new 2024-2025 Energy Price Setting Plan (EPSP) was filed in December 2023 and a favourable decision was received in June 2024. The current 2021-2024 EPSP is effective until the end of October 2024 and the 2024-2025 EPSP will be effective until December 31, 2024.

In December 2022, the Government of Alberta (GOA) passed Bill 2 and implemented an RRO rate ceiling of 13.5 cents per kilowatt-hour (kWh) of electricity consumed during the three-month period from January 2023 to March 2023. Electricity consumption charges above 13.5 cents per kWh during this period were deferred and are being recovered from RRO customers between April 1, 2023 and December 31, 2024. The Company received interest free funding from the GOA for the customer deferrals and, as at September 30, 2024, had \$33 million remaining to repay, recorded in the current portion of other liabilities.

On April 18, 2024, the GOA announced the first steps in the initiative to adapt the market to better deliver on affordability, reliability, and sustainability. The Utilities Affordability Statues Amendment Act (the "Act") was proclaimed in June 20, 2024 with the introduction of the Rate of Last Resort Regulation on October 2, 2024. The Act is intended to make default electricity rates more stable by being set for each regulated retailer once every two years, with a 10% rate adjustment cap for the following two years. The new regulations will become effective January 1, 2025 and requires a new EPSP. Application for a 2025-2026 EPSP was filed in October 2024 and a decision is expected in November 2024.

A 2025-2027 Non-Energy rate application will be filed in the first half of 2025. Interim rates for 2025 will be filed in November 2024.

## Energy Services Operating Income and Adjusted EBITDA

(Unaudited, \$ millions, including intersegment transactions)	Three months ended		Nine months ended	
	September 30,		September 30,	
	2024	2023	2024	2023
Revenues	\$ 94	\$ 252	\$ 323	\$ 715
Expenses	84	264	282	759
<b>Operating income</b>	<b>10</b>	<b>(12)</b>	<b>41</b>	<b>(44)</b>
Exclude depreciation and amortization	2	2	6	6
Exclude change in fair value of financial electricity purchase contracts	1	29	(6)	85
<b>Adjusted EBITDA</b>	<b>\$ 13</b>	<b>\$ 19</b>	<b>\$ 41</b>	<b>\$ 47</b>

Energy Services' Adjusted EBITDA decreased by \$6 million for each of the three and nine months ended September 30, 2024, compared with the corresponding period in 2023, primarily due to lower EPSP margins partially offset by higher competitive margins.

## North American Commercial Services

North American Commercial Services includes business development projects related to the provision of design, build, finance, operating and maintenance services for municipal and industrial water, wastewater, electricity and natural gas customers in North America. The segment includes electricity distribution in Canada and natural gas distribution and transmission businesses in Canada and the U.S. The segment also provides EPCOR affiliates with professional services, engineering design, project management, dispatch services, and fleet services.

As noted in the significant events section on page 2, the Company is continuing the remaining work on the Samsung projects.

## North American Commercial Services Operating Income and Adjusted EBITDA

(Unaudited, \$ millions, including intersegment transactions)	Three months ended		Nine months ended	
	September 30,		September 30,	
	2024	2023 (restated)	2024	2023 (restated)
Revenues	\$ 339	\$ 557	\$ 1,058	\$ 1,441
Expenses	317	532	1,001	1,365
<b>Operating income</b>	<b>22</b>	<b>25</b>	<b>57</b>	<b>76</b>
Exclude depreciation and amortization	4	3	11	8
Exclude transmission system access service charge net collections	-	-	(1)	1
<b>Adjusted EBITDA</b>	<b>\$ 26</b>	<b>\$ 28</b>	<b>\$ 67</b>	<b>\$ 85</b>

North American Commercial Services' Adjusted EBITDA decreased by \$2 million and \$18 million for the three and nine months ended September 30, 2024, respectively, compared with the corresponding periods in 2023, primarily due to lower construction activity for the Samsung projects, partially offset by higher commercial activity related to groundwater reservation fees and operation and maintenance margins.



## U.S. Regulated Water

U.S. Regulated Water is primarily involved in the treatment, transmission, distribution and sale of water, the collection and treatment of wastewater, and construction of related facilities in Arizona and New Mexico. At December 31, 2023, in Arizona and New Mexico, EPCOR owned operations in nine water utility districts, each containing one or more water treatment and / or distribution facilities, and four wastewater utility districts, each containing one or more wastewater treatment and / or collection facilities.

Customer rates in Arizona and New Mexico are subject to approval by the Arizona Corporation Commission (ACC) and the New Mexico Public Regulation Commission, respectively. Customer rates are intended to allow EPCOR the opportunity to recover costs and earn a reasonable rate of return under a historical cost-of-service framework.

On April 18, 2024, the ACC consolidated all of the Company's wastewater districts (except San Tan) into a new Sonoran Wastewater District. The ACC also approved rate increases for the new district and the Company's Rio Verde Water District. In June 2024, the Company filed a rate case for the San Tan Water and Wastewater districts with the ACC. The Company expects to receive a decision in 2026.

### U.S. Regulated Water Operating Income and Adjusted EBITDA

(Unaudited, \$ millions, including intersegment transactions)	Three months ended		Nine months ended	
	September 30,		September 30,	
	2024	2023 (restated)	2024	2023 (restated)
Revenues	\$ 104	\$ 93	\$ 267	\$ 244
Expenses	63	56	191	176
<b>Operating income</b>	<b>41</b>	<b>37</b>	<b>76</b>	<b>68</b>
Exclude depreciation and amortization	21	19	61	59
<b>Adjusted EBITDA</b>	<b>\$ 62</b>	<b>\$ 56</b>	<b>\$ 137</b>	<b>\$ 127</b>

U.S. Regulated Water's Adjusted EBITDA increased by \$6 million and \$10 million for the three and nine months ended September 30, 2024, respectively, compared with the corresponding periods in 2023, primarily due to higher rates and consumption, and increased deferred revenue recognized, partially offset by higher operating expenses primarily due to higher water and power charges.

### Capital Expenditures

(Unaudited, \$ millions)	2024	2023 (restated)
<b>Nine months ended September 30,</b>		
Water Services segment	\$ 308	\$ 289
Distribution and Transmission segment	204	239
Energy Services segment	2	1
North American Commercial Services segment	32	19
U.S. Regulated Water segment	123	129
Other	11	10
<b>Total capital expenditures</b>	<b>\$ 680</b>	<b>\$ 687</b>

We continue to invest in our infrastructure assets to improve reliability and meet electricity, natural gas, treated water, sanitary and stormwater collection and wastewater treatment demands.

## Consolidated Statements of Financial Position – Assets

(Unaudited, \$ millions)	September 30, 2024	December 31, 2023	Increase (decrease)	Explanation of primary changes
Cash	\$ 46	\$ 25	\$ 21	Refer to Liquidity and Capital Resources – Consolidated Statements of Cash Flows section.
Trade and other receivables	621	931	(310)	Lower construction, retail energy and RRO Stability Act receivables, partially offset by higher water and wastewater receivables.
Inventories	31	29	2	Immaterial
Other financial assets	611	514	97	Higher finance lease receivable, primarily related to Project Sandow, and increases in other long-term receivables, partially offset by lower unbilled construction receivables and lower derivative financial assets.
Deferred tax assets	63	75	(12)	Decreases in non-capital loss carry forward balances resulting from higher income subject to tax in Canada.
Property, plant and equipment	13,888	13,306	582	Increase due to capital expenditures and foreign currency valuation adjustments partially offset by depreciation expense.
Intangible assets and goodwill	531	539	(8)	Decrease primarily due to amortization expense.
<b>Total Assets</b>	<b>\$ 15,791</b>	<b>\$ 15,419</b>	<b>\$ 372</b>	

## Consolidated Statements of Financial Position – Liabilities and Equity

(Unaudited, \$ millions)	September 30, 2024	December 31, 2023	Increase (decrease)	Explanation of primary changes
Trade and other payables	\$ 777	\$ 853	\$ (76)	Lower construction payables related to Samsung and various other projects, lower energy purchase prices and volumes.
Loans and borrowings	4,832	4,741	91	Issuance of long-term debt and foreign currency valuation adjustments partially offset by lower short-term debt balance and principal repayments of long-term debt.
Deferred revenue	4,953	4,798	155	Cash and asset contributions received and foreign currency valuation adjustments, partially offset by deferred revenue recognized.
Provisions	248	198	50	Receipt of construction advances net of transfers to deferred revenue, partially offset by lower employee benefit accruals.
Other liabilities	187	256	(69)	Repayments of funding received under the RRO Stability Act and payments of lease liabilities.
Deferred tax liabilities	82	78	4	Foreign exchange translation adjustments and increase in net deferred tax liabilities for the U.S. Regulated Water segment.
Equity	4,712	4,495	217	Comprehensive income less dividends
<b>Total Liabilities and Equity</b>	<b>\$ 15,791</b>	<b>\$ 15,419</b>	<b>\$ 372</b>	

## Liquidity and Capital Resources

### Consolidated Statements of Cash Flows

(Unaudited, \$ millions)				
<b>Cash inflows (outflows)</b>			<b>Increase</b>	
<b>Three months ended September 30,</b>	<b>2024</b>	<b>2023</b>	<b>(decrease)</b>	<b>Explanation</b>
Operating	\$ 355	\$ 175	\$ 180	Changes in non-cash operating working capital and increase in operating income.
Investing	(264)	(241)	(23)	Increased finance lease receivable related to Project Sandow and capital expenditures, partially offset by non-cash investing working capital.
Financing	(83)	103	(186)	Net repayments of short-term debt.
Opening cash	38	93	(55)	
<b>Closing cash</b>	<b>\$ 46</b>	<b>\$ 130</b>	<b>\$ (84)</b>	

(Unaudited, \$ millions)				
<b>Cash inflows (outflows)</b>			<b>Increase</b>	
<b>Nine months ended September 30,</b>	<b>2024</b>	<b>2023</b>	<b>(decrease)</b>	<b>Explanation</b>
Operating	\$ 971	\$ 631	\$ 340	Changes in non-cash operating working capital and increase in operating income, partially offset by lower contributions received.
Investing	(825)	(704)	(121)	Increased finance lease receivable related to Project Sandow, partially offset by lower capital expenditures.
Financing	(125)	73	(198)	Repayment of RRO Stability Act funding received in 2023, and net repayment of short-term debt, partially offset by net issuance of long-term debt.
Opening cash	25	130	(105)	
<b>Closing cash</b>	<b>\$ 46</b>	<b>\$ 130</b>	<b>\$ (84)</b>	

### 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 for the next twelve months, from a combination of available cash, funds from operations, issuance of commercial paper, debt offerings and availability of liquidity from committed credit facilities described under the Financing section below to finance its plans and fund its obligations, including current liabilities in excess of current assets. Cash flows from operating activities would be impaired by events that cause severe damage to our facilities and would require unplanned cash outlays for system restoration repairs. Under those circumstances, more reliance would be placed on our credit facilities for working capital requirements until a regulatory approved recovery mechanism or insurance proceeds are put in place.

### Capital Requirements and Contractual Obligations

There were no material changes to the Company's capital requirements or purchase obligations, including payments for the next five years and thereafter, from those previously disclosed in the 2023 annual MD&A.

## Financing

Generally, our external financing is raised at the corporate level and invested in the operating business units. Our external financing has consisted of commercial paper issuance, bank loans under credit facilities, debentures payable to the City of Edmonton (the City) related to utility assets transferred from the City, debentures payable to the other municipalities, senior unsecured debentures issued in Canada and U.S. private debt notes.

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

(\$ millions)					
September 30, 2024	Expiry	Total facilities	Banking commercial paper issued	Letters of credit issued and other facility draws	Net amounts available
<b>Committed</b>					
Syndicated bank credit facility <sup>1</sup>	December 2028	\$ 750			
Bank credit facility <sup>1</sup>	November 2025	200			
Bank credit facility <sup>1</sup>	May 2026	150			
Total committed		\$ 1,100	\$ 106	\$ -	\$ 994
<b>Uncommitted</b>					
Bank credit facilities <sup>2</sup>	No expiry	340	-	101	239
Bank credit facility	No expiry	25	-	-	25
Total uncommitted		365	-	101	264
<b>Total credit facilities</b>		<b>\$ 1,465</b>	<b>\$ 106</b>	<b>\$ 101</b>	<b>\$ 1,258</b>

(\$ millions)					
December 31, 2023	Expiry	Total facilities	Banking commercial paper issued	Letters of credit issued and other facility draws	Net amounts available
<b>Committed</b>					
Syndicated bank credit facility <sup>1</sup>	December 2028	\$ 750			
Bank credit facility <sup>1</sup>	November 2025	200			
Bank credit facility <sup>1</sup>	May 2026	150			
Total committed		\$ 1,100	\$ 145	\$ -	\$ 955
<b>Uncommitted</b>					
Bank credit facilities <sup>2</sup>	No expiry	340	-	110	230
Bank credit facility	No expiry	25	-	-	25
Total uncommitted		365	-	110	255
<b>Total credit facilities</b>		<b>\$ 1,465</b>	<b>\$ 145</b>	<b>\$ 110</b>	<b>\$ 1,210</b>

- The Company's committed bank credit facilities are available and can be used for direct borrowings, issuance of letters of credit and backstopping EPCOR's commercial paper program. The committed 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 bank credit facility gives the Company the option each year to re-price and extend the term of the facilities by one or more years subject to agreement with the lenders. The Company regularly monitors market conditions and may elect to enter into negotiations to extend the maturity dates. At September 30, 2024, commercial paper totalling \$106 million (December 31, 2023 - \$145 million) was issued and outstanding.
- The Company's uncommitted bank credit facility consists of six bilateral credit facilities totalling \$340 million (December 31, 2023 – totalling \$340 million) which are restricted to letters of credit. At September 30, 2024, letters of credit totalling \$101 million have been issued and outstanding (December 31, 2023 - \$110 million) to meet the credit requirements of electricity market participants and to meet conditions of certain service agreements.

On May 31, 2024, the Company issued 30-year senior unsecured debentures totalling \$250 million with a coupon rate of 4.99% and an effective interest rate of 5.10%. The interest is payable semi-annually and the principal is due at maturity.

If the economy or capital market conditions 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 add temporary liquidity sources and reduce capital expenditures and operating costs.

### **Credit Ratings**

EPCOR's current ratings from DBRS Morningstar are A (low)/stable for its senior unsecured debenture rating and R-1 (low)/stable for its short-term debt. EPCOR's current ratings from Fitch Ratings are A-/stable for its issuer default rating and A for its instrument rating of EPCOR's senior unsecured debentures. At the request of EPCOR, S&P Global Ratings withdrew its A-/stable issuer and senior unsecured debenture ratings on July 18, 2024.

These credit ratings reflect the Company's ability to meet its financial obligations given the stable cash flows generated from the rate-regulated water, wastewater, natural gas, and electricity businesses. A credit rating downgrade for EPCOR could result in higher interest costs on new borrowings and reduce the availability of sources and tenor of investment capital.

### **Financial Covenants**

EPCOR is currently in compliance with all of its financial covenants in relation to its committed bank credit facility, Canadian senior unsecured debentures 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 or resulting in the Company's senior unsecured debentures and private debt notes becoming immediately due and payable causing the Company to find a means of funding which could include the sale of assets.

### **Risk Factors and Risk Management**

This section should be read in conjunction with the Risk Factors and Risk Management section of the 2023 annual MD&A. Risk management is a key component of the Company's culture and we have cost-effective risk management practices in place. Risk management is an ongoing process and we continually review our risks and look for ways to enhance our risk management processes. As part of ongoing risk management practices, the Company reviews current and developing events and proposed transactions to consider their impact on the risk profile of the Company.

Currently, EPCOR's principal risks, in order of severity from most to least serious include political and legislative changes, regulatory, commercial project delivery, physical impacts of weather and climate-change, failure of critical equipment and business interruption, health and safety, cybersecurity, reputational damage and stakeholder activism, failure to attract, retain or develop top talent, supply chain, actual performance compared with approved revenue requirement, credit, public health crisis, groundwater contamination, electricity price and volume, environmental, labour disruption, new business integration, financial liquidity, foreign exchange, conflicts of interest, technological change, significant decline in the economy and other business environment, and other risks.

During the nine months ended September 30, 2024, the Company settled the outstanding bond forward contracts concurrently with the issuance of long term debentures. During the three months ended September 30, 2024, the Company entered into interest rate swap contracts to manage its interest rate risk associated with movements in long-term Canadian benchmark interest rates related to future planned long-term debt issuances. These financial instruments have been designated as cash flow hedges. For further information on the Company's interest rate swap contracts, refer to financial risk management (note 9) in the condensed consolidated interim financial statements for the periods ended September 30, 2024 and 2023.

## **Litigation Update**

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

## **Certification of Interim Filings**

For purposes of certain Canadian securities regulations, EPCOR is a venture issuer. As such, it is exempt from certain of the requirements of National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings. EPCOR's Certifications of Interim Filings - Venture Issuer Basic Certificate include a note to reader stating that the certifying officers are not making any representations to the establishment or maintenance of disclosure controls and procedures and internal controls over financial reporting.

The Chief Executive Officer and Chief Financial Officer have reviewed the condensed consolidated interim financial statements and interim MD&A, for the nine months ended September 30, 2024. Based on their knowledge and exercise of reasonable diligence, they have concluded that the interim filings do not contain any untrue statement of a material fact or omit to state a material fact and that these documents fairly present in all material respects the financial condition, financial performance and cash flows of the Company as of the date of and for the periods presented.

## **Future Accounting Standard Changes**

A number of new standards, amendments to standards and interpretations have been issued by the IASB and the International Financial Reporting Interpretations Committee, the application of which is effective for periods beginning on or after January 1, 2025. The Company does not expect the implementation of these new accounting pronouncements to have a material impact on its accounting policies.

## **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, costs and unbilled consumption, fair values, income taxes and impact of current market conditions on estimates. Although the current condition of the economy has not impacted our methods of estimating accounting values, it has impacted the inputs in those determinations and the resulting values. Interim results will fluctuate due to the seasonal demands for energy, water, related impact on sanitary system, changes in energy 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 consolidated financial statements and MD&A for the year ended December 31, 2023.

## **Outlook**

For the remainder of 2024, EPCOR will focus on the expansion and construction of wastewater treatment plants and water treatment plants and will continue to target growth in rate-regulated and contracted water, wastewater, and electricity infrastructure. We expect much of this investment to come from lifecycle replacement of existing infrastructure primarily related to the Edmonton and U.S. based operations and new infrastructure. The Company also intends to expand its water and electricity commercial services activities. The Energy Services segment will continue to provide retail electricity services through 2024 and after the implementation of the RoLR regulations. The Company's dividend has been increased by 4.1% from \$193 million in 2024 to \$201 million in 2025.

## Quarterly Results

(\$ millions)	September 30, 2024	June 30, 2024	March 31, 2024	December 31, 2023
Revenues	\$ 867	\$ 847	\$ 885	\$ 1,078
Expenses	673	686	722	921
<b>Operating income</b>	<b>194</b>	<b>161</b>	<b>163</b>	<b>157</b>
Finance expenses	(52)	(51)	(50)	(50)
Income tax expense	(11)	(6)	(9)	(12)
<b>Net income</b>	<b>\$ 131</b>	<b>\$ 104</b>	<b>\$ 104</b>	<b>\$ 95</b>

(\$ millions)	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022
Revenues	\$ 1,213	\$ 979	\$ 1,107	\$ 909
Expenses	1,043	820	1,022	756
<b>Operating income</b>	<b>170</b>	<b>159</b>	<b>85</b>	<b>153</b>
Finance expenses	(46)	(47)	(47)	(46)
Income tax recovery (expense)	(6)	(10)	8	(14)
<b>Net income</b>	<b>\$ 118</b>	<b>\$ 102</b>	<b>\$ 46</b>	<b>\$ 93</b>

Quarterly results may fluctuate due to the seasonal demands for energy, water, related impact on sanitary system, changes in energy prices, and the timing and recognition of regulatory decisions.



## 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, including current liabilities in excess of current assets, for next twelve months.	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.
The Company signed PAs with Samsung for Projects Sandow and Blue Sky, respectively. Substantial completion on Project Sandow was reached in October 2024 and construction continues on Project Blue Sky. The operation and maintenance period of 30 years will follow final commissioning and startup.	The Company is able to complete the remaining work to design and build Projects Sandow and Blue Sky within the required timelines.	The Company is unable to complete the remaining work to design and build Projects Sandow and Blue Sky within the timelines agreed with Samsung.
The Company’s dividend has been increased by 4.1% from \$193 million in 2024 to \$201 million in 2025.	EPCOR is able to generate the expected cash flow from operations and various means of funding remain available to the Company.  There is no further revision to the dividends to be paid to the City.	EPCOR is not able to generate the expected cash flow from operations and various means of funding are not available to the Company.  There is a revision to the dividends to be paid to the City.

For further information on the Company’s forward-looking information, refer to the 2023 annual MD&A.

Whether actual results, performance or achievements will conform to the Company’s expectations and predictions is subject to a number of known and unknown risks and uncertainties, which could cause actual results to differ from expectations and are discussed in the Risk Factors and Risk Management section above.

Readers are cautioned not to place undue reliance on forward-looking statements as actual results could differ materially from the plans, expectations, estimates or intentions expressed in the forward-looking statements. Except as required by law, EPCOR disclaims any intention and assumes no obligation to update any forward-looking statement even if new information becomes available, as a result of future events or for any other reason.

## Glossary

<b>ACC</b> means Arizona Corporation Commission	<b>IASB</b> means International Accounting Standards Board
<b>Adjusted EBITDA</b> earnings before finance expenses, income tax recovery (expense), depreciation and amortization, changes in the fair value of derivative financial instruments, transmission system access service charge net collections and other unusual items	<b>PAs</b> means Project Agreements
<b>AESO</b> means Alberta Electric System Operator	<b>PBR</b> means Performance Based Regulation
<b>AUC</b> means the Alberta Utilities Commission	<b>RoLR</b> means Rate of Last Resort
<b>EPSP</b> means Energy Price Setting Plan	<b>RRO</b> means Regulated Rate Option
<b>GOA</b> means Government of Alberta	<b>Samsung projects</b> means the Samsung Austin Semiconductor, LLC projects
<b>IFRS</b> means IFRS Accounting Standards	<b>the City</b> means the City of Edmonton

## Additional Information

Additional information relating to EPCOR, including the Company's 2023 Annual Information Form, is available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).