

Consolidated Financial Statements of

**EPCOR UTILITIES INC.**

Years ended December 31, 2025 and 2024

## Management's responsibility for financial reporting

The preparation and presentation of the accompanying consolidated financial statements of EPCOR Utilities Inc. are the responsibility of management and the consolidated financial statements have been approved by the Board of Directors. In management's opinion, the consolidated financial statements have been prepared within reasonable limits of materiality in accordance with IFRS Accounting Standards, as issued by the International Accounting Standards Board. Management has exercised careful judgment where estimates were required, and these consolidated financial statements reflect all information available to February 26, 2026. Financial information presented elsewhere is consistent with that in the consolidated financial statements.

To discharge its responsibility for financial reporting, management maintains systems of internal controls designed to provide reasonable assurance that the Company's assets are safeguarded, that transactions are properly authorized and that relevant financial information is reliable, accurate and available on a timely basis. The internal control systems are monitored by management, and evaluated by an internal audit function that regularly reports its findings to management and the Audit Committee of the Board of Directors.

The consolidated financial statements have been audited by KPMG LLP, the Company's external auditors. The external auditors are responsible for auditing the consolidated financial statements and expressing their opinion on the fairness of the consolidated financial statements in accordance with IFRS Accounting Standards, as issued by the International Accounting Standards Board. The auditors' report outlines the scope of their audit and states their opinion.

The Board of Directors, through the Audit Committee, is responsible for ensuring management fulfills its responsibilities for financial reporting and internal controls. The Audit Committee, which is composed of independent directors, meets regularly with management, the internal auditors and the external auditors to satisfy itself that each group is discharging its responsibilities with respect to internal controls and financial reporting. The Audit Committee reviews the consolidated financial statements and management's discussion and analysis and recommends their approval to the Board of Directors. The external auditors have full and open access to the Audit Committee, with and without the presence of management. The Audit Committee is also responsible for reviewing and recommending the annual appointment of the external auditors and approving the annual external audit plan.

On behalf of management,

(signed) "John Elford"  
John Elford  
President and Chief Executive Officer

(signed) "Tony Scozzafava"  
Tony Scozzafava  
Senior Vice President and Chief Financial Officer

February 26, 2026

# EPCOR UTILITIES INC.

Consolidated Financial Statements

Years ended December 31, 2025 and 2024

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**Auditor’s Report** ..... 1

**Financial Statements:**

    Consolidated Statements of Comprehensive Income ..... 7

    Consolidated Statements of Financial Position ..... 8

    Consolidated Statements of Changes in Equity ..... 9

    Consolidated Statements of Cash Flows ..... 10

    Notes to the Consolidated Financial Statements ..... 11



**KPMG LLP**

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## INDEPENDENT AUDITOR'S REPORT

To the Shareholder of EPCOR Utilities Inc.

### ***Opinion***

We have audited the consolidated financial statements of EPCOR Utilities Inc. (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2025 and December 31, 2024
- the consolidated statements of comprehensive income for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2025 and December 31, 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***Auditor’s Responsibilities for the Audit of the Financial Statements***” section of our auditor’s report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2025. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

### ***Recognition of other commercial revenue from contract modification related to Project Blue Sky***

#### **Description of the matter**

We draw attention to notes 3(d), 5 and 12 to the consolidated financial statements. For the year ended December 31, 2025, the Entity recognized \$114 million of other commercial revenue, \$84 million of which was a fee received as a result of a contract modification related to Project Blue Sky.

#### **Why the matter is a Key Audit Matter**

We identified the recognition of other commercial revenue from contract modification related to Project Blue Sky as a key audit matter. This matter represented an area of higher risk of material misstatement considering the significant auditor attention required in evaluating the criteria to combine contracts related to the Project Blue Sky contract modification which impacted the determination of the contract modification date and the accounting for the fee received.

#### **How the matter was addressed in the audit**

The primary procedures we performed to address this key audit matter included the following:

- We inspected the Project Blue Sky contract and its amendments, including those executed in the current period, to assess the Entity's treatment of the amendments as a contract modification
- We assessed the Entity's conclusion regarding combination of the relevant contracts by evaluating the Entity's analysis of the contract amendments against the combination of contracts criteria in the relevant accounting standards
- We evaluated the Entity's identification of the contract modification date and the recognition of other commercial revenue by comparing the Entity's analysis against the relevant contractual terms and accounting standards.



## ***Evaluation of the fair value of Level 3 financial electricity purchase contracts***

### **Description of the matter**

We draw attention to notes 3(n), 4(b), 25 and 26 to the consolidated financial statements. The Entity has certain financial electricity purchase contracts to meet its regulated procurement requirements which are recorded at fair value using a Level 3 valuation with reliance on at least one significant unobservable input. For the year ended December 31, 2025, the fair value of Level 3 financial electricity purchase contracts recognized by the Entity was \$3 million.

### **Why the matter is a Key Audit Matter**

We identified the evaluation of the fair value of Level 3 financial electricity purchase contracts as a key audit matter. This matter represented an area of significant risk of a material misstatement due to the sensitivity of the fair value to a significant unobservable input related to the risk-adjusted component of the forward price curves which required significant auditor effort and specialized skills and knowledge to evaluate.

### **How the matter was addressed in the audit**

The following are the primary procedures we performed to address this key audit matter.

We obtained an understanding of the terms and conditions of the financial electricity purchase contracts used to meet the regulated procurement requirements by inspecting the relevant contracts.

We assessed the forward price curves used in the Entity's internally developed valuation models by comparing them to published commodity forward price curves.

We involved valuation professionals with specialized skills and knowledge, who assisted in assessing the appropriateness of the risk-adjusted component of the forward price curves by:

- evaluating the Entity's process for deriving the Entity's internally developed risk-adjusted forward price curves
- comparing the terms and conditions of the financial electricity purchase contracts to a selection of other electricity purchase contracts.

### ***Other Information***

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.



In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.



We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.



- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

*KPMG LLP*

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Chartered Professional Accountants

The engagement partner on the audit resulting in this auditor's report is Ravine Basahti Dirks.

Edmonton, Canada

February 26, 2026

# EPCOR UTILITIES INC.

Consolidated Statements of Comprehensive Income  
(In millions of Canadian dollars)

Years ended December 31, 2025 and 2024

	2025	2024
Revenues (note 5)	\$ 2,934	\$ 3,395
Operating expenses:		
Energy purchases and system access fees	320	323
Other raw materials and operating charges	556	1,225
Staff costs and employee benefits expenses (note 6)	431	415
Depreciation and amortization (note 6)	472	445
Franchise fees and property taxes	193	173
Other administrative expenses	124	126
	2,096	2,707
Operating income	838	688
Other income and gain (loss) on disposals (note 7)	(29)	(20)
Finance expenses (note 8)	(212)	(207)
Income before income taxes	597	461
Income tax expense (note 9)	(64)	(34)
Net income	533	427
Other comprehensive income (loss):		
Item that will not be reclassified to net income:		
Re-measurements of net defined benefit plans <sup>1</sup>	1	3
Items that may subsequently be reclassified to net income:		
Foreign exchange gain (loss) on U.S. denominated debt designated as a hedge of net investment in foreign operations (note 26)	17	(29)
Unrealized loss on derivative financial instruments designated as hedges of net investment in foreign operations (note 26)	(4)	(2)
Reclassification of losses on cash flow hedges to net income	(1)	(1)
Unrealized loss on derivative financial instruments designated as cash flow hedges <sup>2</sup> (note 26)	(1)	-
Realized gain on derivative financial instruments designated as cash flow hedges (note 26)	-	5
Unrealized (loss) gain on foreign currency translation	(87)	140
	(76)	113
Other comprehensive (loss) income	(75)	116
Comprehensive income	\$ 458	\$ 543

1 For the year ended December 31, 2025, net of income tax recovery of \$nil (2024 - \$1 million).

2 For the year ended December 31, 2025, net of income tax recovery of \$1 million (2024 - \$nil).

# EPCOR UTILITIES INC.

Consolidated Statements of Financial Position  
(In millions of Canadian dollars)

December 31, 2025 and 2024

	2025	2024
<b>Assets</b>		
Current assets:		
Cash (note 10)	\$ 83	\$ 62
Trade and other receivables (note 11)	586	668
Inventories	34	30
Other financial assets (note 12)	17	94
	720	854
Non-current assets:		
Other financial assets (note 12)	523	539
Deferred tax assets (note 13)	43	66
Property, plant and equipment (note 14)	15,204	14,408
Intangible assets and goodwill (note 15)	521	548
	16,291	15,561
<b>Total assets</b>	<b>\$ 17,011</b>	<b>\$ 16,415</b>
<b>Liabilities and equity</b>		
Current liabilities:		
Trade and other payables (note 16)	\$ 674	\$ 724
Loans and borrowings (note 17)	167	185
Deferred revenue (note 18)	127	105
Provisions (note 19)	52	64
Other liabilities (note 20)	41	52
	1,061	1,130
Non-current liabilities:		
Loans and borrowings (note 17)	5,117	4,919
Deferred revenue (note 18)	5,365	5,153
Deferred tax liabilities (note 13)	96	104
Provisions (note 19)	148	133
Other liabilities (note 20)	122	131
	10,848	10,440
<b>Total liabilities</b>	<b>11,909</b>	<b>11,570</b>
Equity:		
Share capital (note 21)	798	798
Accumulated other comprehensive income	183	258
Retained earnings	4,121	3,789
<b>Total equity</b>	<b>5,102</b>	<b>4,845</b>
<b>Total liabilities and equity</b>	<b>\$ 17,011</b>	<b>\$ 16,415</b>
Commitments, contingencies and guarantees (note 28)		

Approved on behalf of the Board,

(signed) "Janice G. Rennie"

Janice G. Rennie  
Director and Chair of the Board

(signed) "Leontine van Leeuwen-Atkins"

Leontine van Leeuwen-Atkins  
Director and Chair of the Audit Committee

8

The accompanying notes are an integral part of these consolidated financial statements

# EPCOR UTILITIES INC.

Consolidated Statements of Changes in Equity  
(In millions of Canadian dollars)

Years ended December 31, 2025 and 2024

	Accumulated other comprehensive income (loss)					Equity
	Share capital (note 21)	Cash flow hedges	Cumulative translation account	Employee benefits account	Retained earnings	
Equity at December 31, 2023	\$ 798	\$ 27	\$ 110	\$ 5	\$ 3,555	\$ 4,495
Net income	-	-	-	-	427	427
Other comprehensive income (loss):						
Remeasurements of net defined benefit plans	-	-	-	3	-	3
Foreign exchange loss on U.S. denominated debt designated as a hedge of net investment in foreign operations (note 26)	-	-	(29)	-	-	(29)
Unrealized loss on derivative financial instruments designated as hedges of net investment in foreign operations (note 26)	-	-	(2)	-	-	(2)
Reclassification of losses on cash flow hedges to net income	-	(1)	-	-	-	(1)
Realized gain on derivative financial instruments designated as cash flow hedges (note 26)	-	5	-	-	-	5
Unrealized gain on foreign currency translation	-	-	140	-	-	140
Total comprehensive income	-	4	109	3	427	543
Dividends	-	-	-	-	(193)	(193)
Equity at December 31, 2024	\$ 798	\$ 31	\$ 219	\$ 8	\$ 3,789	\$ 4,845
Net income	-	-	-	-	533	533
Other comprehensive income (loss):						
Remeasurements of net defined benefit plans	-	-	-	1	-	1
Foreign exchange gain on U.S. denominated debt designated as a hedge of net investment in foreign operations (note 26)	-	-	17	-	-	17
Unrealized loss on derivative financial instruments designated as hedges of net investment in foreign operations (note 26)	-	-	(4)	-	-	(4)
Reclassification of losses on cash flow hedges to net income	-	(1)	-	-	-	(1)
Unrealized loss on derivative financial instruments designated as cash flow hedges	-	(1)	-	-	-	(1)
Unrealized loss on foreign currency translation	-	-	(87)	-	-	(87)
Total comprehensive income	-	(2)	(74)	1	533	458
Dividends	-	-	-	-	(201)	(201)
Equity at December 31, 2025	\$ 798	\$ 29	\$ 145	\$ 9	\$ 4,121	\$ 5,102

The accompanying notes are an integral part of these consolidated financial statements

# EPCOR UTILITIES INC.

Consolidated Statements of Cash Flows  
(In millions of Canadian dollars)

Years ended December 31, 2025 and 2024

	2025	2024
Cash flows from (used in) operating activities:		
Net income	\$ 533	\$ 427
Reconciliation of net income to cash from (used in) operating activities:		
Interest paid	(208)	(202)
Finance expenses (note 8)	212	207
Other income and (gain) loss on disposals (note 7)	29	20
Income tax payments	(20)	(9)
Income tax expense (note 9)	64	34
Depreciation and amortization (note 6)	472	445
Changes in employee benefits provisions	(14)	9
Contributions received	183	185
Deferred revenue recognized (note 18)	(177)	(144)
Changes in fair value of financial electricity purchase contracts, net of cash paid	-	10
Other	(1)	(1)
Changes in non-cash operating working capital (note 22)	59	254
<b>Net cash flows from operating activities</b>	<b>1,132</b>	<b>1,235</b>
Cash flows from (used in) investing activities:		
Acquisitions and construction of property, plant and equipment and intangible assets <sup>1</sup>	(1,170)	(1,019)
Business acquisition, net of cash acquired	-	(15)
Proceeds on disposal of property, plant and equipment	3	9
Proceeds on divestiture (note 7)	83	-
Net payments received (advances) on other financial assets	8	(172)
Changes in non-cash investing working capital (note 22)	3	(46)
<b>Net cash flows used in investing activities</b>	<b>(1,073)</b>	<b>(1,243)</b>
Cash flows from (used in) financing activities:		
Net issuances (repayments) of short-term loans and borrowings (note 23)	(19)	6
Proceeds from issuance of long-term loans and borrowings (note 23)	250	470
Repayments of long-term loans and borrowings (note 23)	(34)	(139)
Debt issuance costs (note 23)	(1)	(4)
Net proceeds received upon settlement of bond forward contracts (note 26)	-	6
Net refunds to customers and developers (notes 19 and 23)	(8)	(15)
Repayments of funding received per the Regulated Rate Option (RRO) Stability Act (notes 20 and 23)	(14)	(73)
Payments of lease liabilities, net of proceeds from sub-lease	(11)	(13)
Dividends paid	(201)	(193)
<b>Net cash flows (used in) from financing activities</b>	<b>(38)</b>	<b>45</b>
Increase in cash	21	37
Cash, beginning of year	62	25
<b>Cash, end of year</b>	<b>\$ 83</b>	<b>\$ 62</b>

1 Interest payments of \$18 million (2024 - \$14 million) have been capitalized and included in acquisitions and construction of property, plant and equipment (PP&E) and intangible assets.

The accompanying notes are an integral part of these consolidated financial statements

# EPCOR UTILITIES INC.

Notes to the Consolidated Financial Statements  
(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Years ended December 31, 2025 and 2024

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## 1. Nature of operations

EPCOR Utilities Inc. (the Company or EPCOR) builds, owns and operates electrical, natural gas and water transmission and distribution networks, water and wastewater treatment facilities and sanitary and stormwater systems. The Company also provides electricity, natural gas and water products and services to residential and commercial customers.

The Company operates in Canada and the United States (U.S.) with its registered head office located at 2000, 10423 - 101 Street NW, Edmonton, Alberta, Canada, T5H 0E8.

The common shares of EPCOR are owned by The City of Edmonton (the City). The Company was established by Edmonton City Council under City Bylaw 11071.

## 2. Basis of presentation

### (a) Statement of compliance

These consolidated financial statements have been prepared by management in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB). These consolidated financial statements were approved and authorized for issue by the Board of Directors on February 26, 2026.

### (b) Basis of measurement

The Company's consolidated financial statements are prepared on the historical cost basis, except for its derivative financial instruments, long-term investment where the Company does not have significant influence and contingent consideration, which are measured at fair value.

## 3. Material accounting policies

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements unless otherwise indicated.

### (a) Changes in material accounting policies

The Company adopted amendments to various accounting standards effective January 1, 2025, which did not have a material impact on these consolidated financial statements.

### (b) Basis of consolidation

These consolidated financial statements include the accounts of EPCOR and its wholly owned subsidiaries at December 31, 2025 and 2024. Subsidiaries are entities controlled by the Company. Subsidiaries are fully consolidated from the date on which EPCOR obtains control, and continue to be consolidated until the date that such control ceases to exist. All intercompany balances and transactions have been eliminated on consolidation. The financial statements of the subsidiaries are prepared for the same reporting period as EPCOR, using consistent accounting policies.

These consolidated financial statements are presented in Canadian dollars. The functional currency of EPCOR and its Canadian subsidiaries is the Canadian dollar; the functional currency of U.S. subsidiaries is the U.S. dollar. All the values in these consolidated financial statements have been rounded to the nearest million except where otherwise stated.

### (c) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The determination of whether or not an acquisition meets the definition of business combination under IFRS requires judgment and is assessed on a case-by-case basis. The consideration for an acquisition is measured at the fair value of the assets transferred, equity instruments issued and liabilities incurred at the date of acquisition in exchange for control of the acquired business. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are recognized in net income. Transaction costs that the Company incurs in connection with a business combination, other than those associated with the issue of debt or equity securities, are expensed as incurred.

# EPCOR UTILITIES INC.

Notes to the Consolidated Financial Statements  
(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Years ended December 31, 2025 and 2024

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Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the date of acquisition. Any contingent consideration payable is measured at fair value at the date of acquisition with subsequent changes in the fair value typically recognized in net income.

Goodwill is measured as the excess of the fair value of the consideration transferred less the fair value of the identifiable assets acquired and liabilities assumed. Subsequently, goodwill is measured at cost less accumulated impairment losses, if any. If the fair value of the net identifiable assets acquired and liabilities assumed exceeds the fair value of consideration transferred, the excess is recognized in the consolidated statements of comprehensive income as a bargain purchase gain.

## (d) Revenue recognition

The Company recognizes revenue when it transfers control over a promised good or service, a performance obligation under the contract, to a customer and where the Company is entitled to consideration resulting from completion of the performance obligation. Depending on the terms of the contract with the customer, revenue recognition can occur at a point in time or over time. When a performance obligation is satisfied, revenue is measured at the transaction price that is allocated to that performance obligation. For contracts where non-cash consideration is received, revenue is recognized and measured at the fair value of the non-cash consideration.

Customer contracts may include the transfer of multiple goods and services. Where the Company determines that the multiple goods and services are not distinct performance obligations, they are treated as a single performance obligation.

Contract costs for obtaining a customer contract are expensed as incurred unless they create an asset related to future contract activity that the Company expects to recover.

Significant judgment may be required to determine the number of distinct performance obligations within a contract and the allocation of transaction price to multiple performance obligations in a contract, and to determine whether the Company acts as a principal or agent for certain performance obligations. When multiple performance obligations are identified in a contract, the transaction price is allocated based on the stand-alone selling price of each performance obligation. The estimation of the stand-alone selling price can be a major source of estimation uncertainty. If the stand-alone selling price is not observable, the Company estimates the stand-alone selling price for each distinct performance obligation based on the related expected cost plus a margin. The Company is acting as a principal when the Company controls the goods or services before transfer to the customer. The Company is acting as an agent when it is obliged to arrange for the provision of the goods or services by another party, that are not controlled by the Company before transfer to the customer. When the Company acts as an agent, the revenue is recognized net of any related costs incurred.

The Company's principal sources of revenue and methods applied to the recognition of the revenues in these consolidated financial statements are as follows:

### *Energy and water sales*

The contracts with customers for the supply of electricity, natural gas and water consist primarily of perpetual contracts that are effective until terminated by the customers or the Company. The Company provides a series of distinct goods, which are simultaneously received and consumed by the customers. Each of the performance obligations are satisfied over time using the output method for revenue recognition, i.e. the units of each good supplied to the customers.

Revenues are calculated based on the customers' usage of the goods during the period, at the applicable rates as per the terms of the respective contracts. Customers are generally billed on a monthly basis and payment is generally due within 30 days of billing the customer.

### *Provision of services*

The contracts with customers for each of electricity and natural gas transmission and distribution services, sanitary and stormwater collection and wastewater treatment services consist primarily of perpetual contracts that are effective until terminated by the customers or the Company. The Company provides a series of distinct services, which are simultaneously received and consumed by the customers. Each of the performance obligations are satisfied over time

# EPCOR UTILITIES INC.

Notes to the Consolidated Financial Statements  
(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Years ended December 31, 2025 and 2024

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using the output method for revenue recognition, i.e. quantifiable services rendered to the customers.

Revenues are calculated based on the services provided to the customers during the period, at the applicable rates as per the terms of the respective contracts. These revenues include an estimate of the value of services provided to the customers in the reporting period and billed subsequent to the reporting period. Customers are generally billed on a monthly basis and payment is generally due within 30 days of billing the customer.

Certain water services and commercial contracts include multiple services such as operation, maintenance and renewal maintenance of utility infrastructure, each of which the Company typically constitutes distinct performance obligations. Each of the performance obligations in these contracts relates to the provision of a series of distinct services, which are simultaneously received and consumed by the customers. Performance obligations under these contracts are satisfied over time using both input and output methods, depending on the nature of each distinct performance obligation.

The Company determined that it is acting as an agent related to collection of provincial transmission system access service charges and collection of distribution and transmission charges on behalf of the Alberta Electric System Operator (AESO) and distribution companies, respectively, as the Company does not obtain control of the respective services before they are transferred to the customers. Accordingly, revenues from collection of provincial transmission system access service charges and collection of distribution and transmission charges are recognized net of all related costs paid to the corresponding service providers.

## *Construction revenue*

Revenue from the construction of utility infrastructure and other project upgrades and expansions provided to customers is recognized when control of the promised goods or services is transferred to the customer. Performance obligations under these contracts are satisfied over time using the input or output method for revenue recognition, depending on the contracts with customers.

Revenue from construction services with fixed price contracts includes the initial amount of the transaction price included in the contract plus any expected variable consideration, claims and incentive payments, to the extent it is probable that they will result in consideration receivable and can be reliably measured. Satisfaction of the performance obligation is estimated based on an assessment of progress towards its completion using the ratio of costs incurred to the total projected cost of fulfilling the performance obligation under a construction contract. These estimates may result in the recognition of unbilled receivables as a contract asset when revenues are earned prior to billing the amount to customers or recognition of a contract liability when consideration received under the contract exceeds the revenue recognized to date. When the satisfaction of the performance obligation cannot be measured reliably, contract revenue is recognized only to the extent of contract costs incurred that are probable to be recoverable, until such time the Company can reliably measure the outcome of the performance obligation.

Revenue from construction services with cost plus contracts is recognized on the basis of costs incurred during the construction period, plus the agreed upon margin earned.

Contract modifications may create new, or change existing, enforceable rights and obligations of the parties to the contract. Generally, an amendment will be negotiated with the customer to modify the original contract to approve both the scope and price of the change if the Company experiences changes to a contract once it is underway. The Company considers a contract modification to exist when the modification either creates new or changes the existing enforceable rights and obligations. Most contract modifications are for goods and services that are not distinct from the existing contract due to the integrated services provided in the context of the contract and are accounted for as part of the existing contract. Therefore, the effect of a contract modification on the transaction price and the Company's measure of progress for the performance obligation to which it relates is recognized as an adjustment to revenue on a cumulative catch-up basis. If contract modifications result in additional goods and services that are distinct from those transferred before the contract modification, they are accounted for prospectively.

## *Other commercial revenue*

Other commercial revenue is comprised of revenues from the financing of project upgrades and expansions for customers and is recognized over the term of each contract using the effective interest method based on the fair value of the loan calculated at inception for each contract.

# EPCOR UTILITIES INC.

Notes to the Consolidated Financial Statements  
(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Years ended December 31, 2025 and 2024

---

Other commercial revenue also includes revenues earned from arrangements where the Company leases utility infrastructure and other assets to customers, which are accounted for as finance leases. In addition, other commercial revenue includes other non-recurring revenue arrangements that are not presented elsewhere.

## (e) Income taxes

Under the Income Tax Act (Canada) (ITA), a municipally owned corporation is subject to income tax on its taxable income if the income from activities for any relevant period that was earned outside the geographical boundaries of the municipality exceeds 10% of the corporation's total income for that period. As a result of these and other provisions, certain Canadian subsidiaries of the Company are taxable under the ITA and provincial income tax acts. The U.S. subsidiaries are subject to income taxes pursuant to U.S. federal and state income tax laws.

Current income taxes are measured at the amount expected to be recovered from or payable to the taxation authorities based on the tax rates that are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are recognized for the deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted rates of tax expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the date of enactment or substantive enactment. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries except where the Company is able to control the timing of the reversal of the temporary differences, and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets and liabilities are not recognized if the temporary difference results from the initial recognition of goodwill arising from a business combination or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable income nor accounting income.

Current and deferred taxes are recognized in net income except to the extent that they relate to items recognized directly in equity or in other comprehensive income.

## (f) Cash

Cash and cash equivalents include cash and short-term, highly liquid investments, with original maturities of three months or less on the date of purchase, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## (g) Leases

At the inception of a contract, the Company determines whether a contract is, or contains a lease. A contract is, or is considered to contain a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

### *As a lessee*

On initial identification of a lease contract, the Company recognizes a right-of-use (ROU) asset and a lease liability at the commencement of the lease contract. The lease liability is initially measured at the present value of the future unavoidable lease payments under the contract, discounted using the interest rate implicit in the lease contract. Where the implicit rate cannot be readily determined, the Company uses the incremental borrowing rate of the legal entity entering into the lease contract. Lease payments consist of fixed payments including in-substance fixed payments less

# EPCOR UTILITIES INC.

Notes to the Consolidated Financial Statements  
(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Years ended December 31, 2025 and 2024

---

any lease incentives receivable, variable lease payments that depend on an index or a rate, the exercise price of a purchase option or optional renewal period that the Company is reasonably certain to exercise and penalties for early termination of a lease contract unless the Company is reasonably certain not to terminate early. Subsequently, the lease liability is measured at amortized cost, using the effective interest method. The lease liability is re-measured to reflect any reassessments or lease modifications. Lease payments are allocated between the principal repayment of the lease liability and finance expense. The finance expense on the lease liability is charged to net income over the term of the lease contract to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period.

The ROU asset is initially measured at cost which includes the initial lease liability, any lease payments made at or before commencement date less any lease incentives received, any initial direct costs and restoration costs. The ROU assets are depreciated on a straight-line basis over the shorter of the respective asset's useful life and the remaining term of the lease contract. The ROU assets are subsequently re-measured to reflect any reassessments or lease modifications. At each reporting date, ROU assets are reviewed for indications of impairment. If indications of impairment exist, the recoverable amount is estimated for the ROU assets, which is the greater of value in use and fair value the Company expects to recover from sub-lease of the asset.

The Company presents lease liabilities within other liabilities and ROU assets within PP&E in the consolidated statements of financial position.

The Company has elected not to recognize ROU assets and lease liabilities for lease contracts where the total term of the respective lease contract is less than or equal to 12 months or for low value lease contracts. The Company recognizes the payments relating to such leases (including principal and interest associated with these leases) as an expense on a straight-line basis over the lease term. These payments are presented within other administrative expense in net income.

## *As a lessor*

On initial identification of a lease contract, the Company determines whether the contract is a finance lease or an operating lease. If a contract transfers substantially all of the risks and rewards incidental to ownership of the underlying asset to the customer, the contract is classified as a finance lease; otherwise, it is classified as an operating lease. Finance income related to contracts accounted for as finance leases is recognized in a manner that produces a constant rate of return on the net investment in the lease. The net investment in the lease is the aggregate of net minimum lease payments and unearned finance income discounted at the interest rate implicit in the lease. Unearned finance income is deferred and recognized in net income over the lease term. Lease payments received by the Company under operating leases are recognized as lease revenue within other commercial revenue on a straight-line basis over the lease term.

Where the Company is an intermediate lessor, it accounts for interests in the head lease and the sub-lease separately. If the sub-lease is classified as finance lease, the ROU asset relating to the head lease is de-recognized and a finance lease receivable in the sub-lease is recognized and presented within other financial assets in the consolidated statements of financial position.

The Company applies judgment in the determination of the lease term for certain lease contracts with renewal or termination options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which could materially affect the amount of lease liabilities and ROU assets recorded on the initial recognition or on modification of the lease contract.

## (h) Property, plant and equipment

PP&E are recorded at cost, net of accumulated depreciation and accumulated impairment losses, if any.

Cost includes contracted services, materials, direct labour, directly attributable overhead costs, borrowing costs on qualifying assets and decommissioning costs. Where parts of an item of PP&E have different estimated useful lives, they are accounted for as separate items (major components) of PP&E.

The cost of major inspections and maintenance is recognized in the carrying amount of the item if the asset recognition criteria are satisfied. The carrying amount of a replaced part is de-recognized. The costs of day-to-day servicing are

# EPCOR UTILITIES INC.

Notes to the Consolidated Financial Statements  
(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Years ended December 31, 2025 and 2024

---

expensed as incurred. The cost of a group of PP&E acquired in a transaction, including those acquired in a business combination, is allocated to the individual assets acquired based on their fair value.

Depreciation of cost less residual value is charged on a straight-line basis over the estimated useful lives of items of each depreciable component of PP&E, from the date they are available for use, as this most closely reflects the expected usage of the assets. Land and construction work in progress are not depreciated. Estimating the appropriate useful lives of assets requires judgment and is generally based on estimates of life characteristics of similar assets. The estimated useful lives, methods of depreciation and residual values are reviewed annually with any changes adopted on a prospective basis.

The ranges of estimated useful lives for PP&E used are as follows:

Water treatment and distribution, and wastewater collection and treatment	2 - 95 years
Energy transmission and distribution	3 - 67 years
Corporate information systems and other	1 - 20 years
Right-of-use assets	1 - 24 years

Gains or losses on the disposal of PP&E are determined as the difference between the net disposal proceeds and the carrying value at the date of disposal.

(i) Intangible assets

Intangible assets with finite lives are stated at cost, net of accumulated amortization and impairment losses, if any. The cost of a group of intangible assets acquired in a transaction, including those acquired in a business combination that meet the specified criteria for recognition apart from goodwill, is allocated to the individual assets acquired based on their fair value.

Customer rights represent the costs to acquire the rights to provide electricity services to particular customer groups for a finite period of time. Other rights represent the costs to acquire the rights, for finite or indefinite periods of time, to access electricity delivery corridors, to the supply of water, to provide sewage treatment and transportation services, to withdraw groundwater, to provide operating and maintenance services for water infrastructure and to the supply of potable water for emergency and peak purposes. All rights acquired for indefinite periods of time are not amortized but are subject to review for indication of impairment at the end of each reporting period as described in note 3(q). All rights are recorded at cost at the date of acquisition. Subsequent expenditures are capitalized only when they increase the future economic benefit in the specific asset to which they relate.

The cost of intangible software includes the cost of license acquisitions, contracted services, materials, direct labour, along with directly attributable overhead costs and borrowing costs on qualifying assets.

Amortization of the cost of finite life intangible assets is recognized on a straight-line basis over the estimated useful lives of the assets, from the date they are available for use, as this most closely reflects the expected usage of the asset. Work in progress is not amortized. The estimated useful lives and methods of amortization are reviewed annually with any changes adopted on a prospective basis.

The estimated useful lives for intangible assets with finite lives are as follows:

Customer rights	8 years
Software	1 - 20 years
Other rights	9 - 50 years
Water rights	100 years

Certificates of convenience and necessity (CCN) represent the costs to acquire the exclusive rights for the Company to serve within its specified geographic areas in the U.S. for an indefinite period of time. CCN are not amortized but are subject to review for indication of impairment at the end of each reporting period as described in note 3(q).

Gains or losses on the disposal of intangible assets are determined as the difference between the net disposal proceeds, if any, and the carrying amount at the date of disposal.

# EPCOR UTILITIES INC.

Notes to the Consolidated Financial Statements  
(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Years ended December 31, 2025 and 2024

---

(j) Service concession arrangements

Service concession arrangements are contracts between the Company and government entities and can involve the design, build, finance, operation and maintenance of public infrastructure in which the government entity controls (i) the services provided by the Company and (ii) significant residual interest in the infrastructure. Service concession arrangements are classified in one of the following categories:

(i) Financial asset

The Company recognizes a financial asset arising from a service concession arrangement when it has an unconditional right to receive a specified amount of cash or other financial asset over the life of the arrangement. The financial asset is measured at the fair value of consideration received or receivable. When the Company delivers more than one category of activities in a service concession arrangement, the consideration received or receivable is allocated by reference to the relative fair value of each activity, when amounts are separately identifiable.

(ii) Intangible asset

The Company recognizes an intangible asset arising from a service concession arrangement when it has a right to charge for usage of the public infrastructure. The intangible asset, recognized as consideration for providing construction or upgrade services under a service concession arrangement, is measured at fair value upon initial recognition. Subsequent to initial recognition, the intangible asset is measured at cost less accumulated amortization and impairment losses, if any.

Revenue under the service concession arrangements is recognized as per the revenue recognition policy of the Company described in note 3(d) by reference to each activity when the amount of revenue is separately identifiable.

The accounting for contracts with government entities requires the application of judgment in determining if they fall within the scope of IFRIC 12 – *Service Concession Arrangements* (IFRIC 12). Additional judgment also needs to be exercised when determining, among other things, the classification and the effective interest rate to be applied to the service concession asset. Contracts falling under IFRIC 12 require the use of estimates over the term of the arrangement, and therefore any change in the long-term estimates could result in material variation in the amounts recognized under service concession arrangements.

(k) Deferred revenue

Certain assets are contributed by customers or constructed using non-refundable cash contributions from customers. Non-refundable customer contributions, which are used to provide ongoing goods or services to these customers, are recorded as deferred revenue. Deferred revenue is initially recorded at the fair value of contributed assets, or the amount of cash contributions received, and is recognized as revenue on a straight-line basis over the shorter of estimated lives of the respective contracts with the customers or the estimated useful lives of the related assets. Where the contract with a customer is perpetual and the related contributed asset is used to provide ongoing goods or services to the customer, the life of the contract is equivalent to the estimated useful life of the asset to which the contribution relates.

Certain assets are acquired or constructed using non-refundable government grants. Government grants are recorded as deferred revenue and are recognized as revenue on a straight-line basis over the estimated useful lives of the assets to which they relate.

Certain assets are contributed / acquired or constructed using non-refundable cash contributions from developers or other unrelated entities. Currently there is no specific IFRS guidance on accounting for contributions received from developers or other unrelated entities. The Company has developed an accounting policy for the initial recognition of such contributions and subsequent recognition of the related revenues. These contributions are recorded as deferred revenue, at the fair value of the contributed assets or the amount of cash contribution received, and are recognized as revenue on a straight-line basis over the estimated useful lives of the assets to which the contribution relates.

(l) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market

# EPCOR UTILITIES INC.

Notes to the Consolidated Financial Statements  
(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Years ended December 31, 2025 and 2024

---

assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as a finance expense over the estimated period until settlement of the obligation. Significant judgment is required to determine whether a past event results in a liability that is recognized in the consolidated statements of financial position. In addition, quantifying such a provision also involves a certain amount of estimation in respect of the amount and timing of outflows of economic benefits and therefore it is possible that the assumptions used in measuring the provision may differ from future outcomes and the impact of such variations could be material.

The Company may receive contributions from customers, homebuilders, real estate developers, and other entities to fund construction necessary to extend service to new areas. Certain of these contributions may be refunded over a limited period of time as new customers begin to receive service or other contractual obligations are fulfilled. The portion of contributions that are estimated to be refunded in the future are recorded as provisions. The remaining contributions are classified as deferred revenue.

## (m) Employee benefits

The employees of the Company are either members of the Local Authorities Pension Plan (LAPP) or other defined benefit or defined contribution pension plans.

The LAPP is a multi-employer defined benefit pension plan. The trustee and administrator of the plan is the LAPP Corporation and the plan is governed by a 12 member Board of Directors nominated by employees and employers. The LAPP is registered under the Alberta Employment Pension Plans Act. The Company and its employees contribute to the plan at rates prescribed by the LAPP Corporation to cover costs and any unfunded liability under the plan. The rates are based on a percentage of the pensionable salary. The most recent actuarial report of the plan discloses an actuarial surplus. The LAPP is accounted for as a defined contribution plan as the LAPP is not able to provide information that reflects EPCOR's specific share of the defined benefit obligation or plan assets that would enable the Company to account for the plan as a defined benefit plan. Accordingly, the Company does not recognize its share of any plan surplus or deficit.

The Company maintains additional defined contribution and defined benefit pension plans to provide pension benefits to certain management employees and employees who are not otherwise served by the LAPP, including employees of new or acquired operations. Employees not otherwise served by the LAPP comprise less than 21% of total employees (2024 - 22%). The cumulative employee benefits account in other comprehensive income represents the cumulative impact of actuarial gains and losses, and return on plan assets excluding interest income from the Company's defined benefit pension plans.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability for short-term employee benefits is recognized for the amount expected to be paid if the Company has a legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Company recognizes the contribution payable to a defined contribution plan as an expense and a liability in the period during which the service is rendered.

## (n) Derivative financial instruments and hedging activities

The Company uses various risk management techniques to reduce its exposure to movements in electricity prices, interest rates and foreign currency exchange rates. These include the use of derivative financial instruments such as forward contracts or contracts-for-differences, interest rate swaps, cross currency swaps and bond forward contracts. Such instruments may be used to establish a fixed price for electricity, fixed interest rates for borrowings or fixed foreign currency rates for anticipated transactions denominated in a foreign currency. Embedded derivatives are separated from the host contract and accounted for as a derivative if certain criteria are met.

Interest rates swap and bond forward contracts may be used by the Company to manage interest rate risks associated with long-term loans and borrowings and result in securing fixed interest rates over the term of the loans and borrowings against the floating interest rate.

Foreign exchange forward contracts and cross currency swaps may be used by the Company to manage foreign

# EPCOR UTILITIES INC.

Notes to the Consolidated Financial Statements  
(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Years ended December 31, 2025 and 2024

---

exchange exposures, consisting mainly of U.S. dollar exposures, resulting from anticipated transactions denominated in foreign currencies.

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently measured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value of derivatives depends on whether the derivative instrument qualifies for hedge accounting and whether such instrument has been designated as a hedging instrument.

The Company may apply hedge accounting when there is a high degree of correlation between the risk in the item designated as being hedged (the hedged item) and the derivative financial instrument designated as a hedge (the hedging instrument). To apply hedge accounting, at the inception of hedging relationship, the Company formally documents relationships between hedged items and hedging instruments, including its risk management objectives together with the methods to be used to assess the effectiveness of the hedging relationships at each reporting date. The Company performs an effectiveness test at each reporting date to ensure that the changes in fair values of the hedged items and the hedging instruments are moving in opposite directions and offsetting each other.

Derivative financial instruments may be designated as either fair value hedges, cash flow hedges or hedges of net investment in foreign operations. If the derivative financial instrument is designated as a fair value hedge, changes in the fair value of the derivative financial instrument and in the fair value of the underlying hedged item are recognized in net income. If the derivative financial instrument is designated as a cash flow hedge or a hedge of a net investment in foreign operation, the effective portions of the changes in the fair value of the derivative financial instrument are initially recorded in other comprehensive income and are subsequently recognized in net income when the underlying hedged item is realized. Ineffective portions of the changes in the fair value of cash flow hedges and hedges of net investment in foreign operations are recognized in net income immediately. Changes in the fair value of a derivative financial instrument designated as a fair value hedge, a cash flow hedge or a hedge of a net investment in foreign operations is recognized in the same line item in net income as the underlying hedged item.

Subsequent changes in the fair value of derivative financial instruments that are not designated as hedges, are recorded in net income. At initial recognition, transaction costs attributable to the derivative financial instruments are recognized in net income.

## (o) Non-derivative financial instruments

Financial assets are identified and classified based on the business model used by the Company for managing those financial assets, as one of the following: at amortized cost, or at fair value through profit or loss. Financial liabilities are classified as measured at amortized cost or at fair value through profit or loss.

Financial assets and financial liabilities are presented on a net basis when the Company has a legally enforceable right to offset the recognized amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

### *Recognition and measurement*

#### *At amortized cost*

Cash, other financial assets and trade and other receivables, except for derivative assets and long-term investments which are classified as financial assets measured at fair value through profit or loss or accounted for under the equity method, are classified as financial assets measured at amortized cost. These financial assets are initially recognized at fair value plus directly attributable transaction costs, if any. After initial recognition, they are measured at amortized cost when they are held for collection of cash flows, where those cash flows solely represent payments of principal and interest using the effective interest method less any impairment as described in note 3(p). The effective interest method calculates the amortized cost of a financial asset and allocates the finance income over the term of the financial asset using an effective interest rate. The effective interest rate is the rate that discounts estimated future cash receipts through the expected life of the financial asset, or a shorter period when appropriate, to the gross carrying amount of the financial asset.

Trade and other payables, loans and borrowings except debt issuance costs, refundable contributions from customers and developers classified within provisions, and other liabilities, except for contingent consideration and derivative

# EPCOR UTILITIES INC.

Notes to the Consolidated Financial Statements  
(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Years ended December 31, 2025 and 2024

---

liabilities, which are classified as financial liabilities measured at fair value through profit or loss, are classified as financial liabilities measured at amortized cost and are recognized on the date at which the Company becomes a party to the contractual arrangement. These financial liabilities are initially recognized at fair value including discounts and premiums, plus directly attributable transaction costs, such as issue expenses, if any. Subsequently, these liabilities are measured at amortized cost using the effective interest method.

#### *At fair value through profit or loss*

Financial instruments at fair value through profit or loss include instruments that are designated as financial instruments at fair value through profit or loss or those financial instruments that do not meet the criteria for classification under any other category.

Upon initial recognition, directly attributable transaction costs are recognized in net income as incurred. Changes in fair value of financial instruments measured at fair value through profit or loss are recognized in net income.

#### *Equity-accounted investments*

The Company's investment in joint ventures are accounted for under the equity method and recognized initially at cost. The carrying amount is increased or decreased to recognize the Company's share of the joint ventures' total comprehensive income or loss after the date of acquisition, until the date on which significant influence ceases. Distributions received from joint ventures reduce the carrying amount of the investments. The accounting policies of joint ventures are aligned with the accounting policies of the Company.

#### *De-recognition*

Financial assets are de-recognized when the rights to receive cash flows from the financial assets have expired or have been transferred, and the Company has transferred substantially all the risks and rewards of ownership.

Financial liabilities are de-recognized when the contractual obligations are discharged, cancelled or expire.

#### (p) Impairment of financial assets

The Company uses the "expected credit loss" (ECL) model for calculating impairment and recognizes ECL as a loss allowance for financial assets measured at amortized cost. At each reporting date, the Company measures the loss allowance for financial assets, except for trade receivables without a significant financing component, at an amount equal to the lifetime ECL if the credit risk on that financial asset has increased significantly since initial recognition. If it is determined that the credit risk on a financial asset has not increased significantly, the Company measures the loss allowance for that financial asset at an amount equal to the 12-month ECL.

For trade receivables without a significant financing component, the Company applies the simplified approach and uses a provision matrix, based on the Company's historical credit loss experience, current economic conditions and forward-looking information, to estimate and recognize the lifetime ECL. Trade and other receivables that are not assessed for impairment individually are assessed for impairment on a collective basis taking into consideration the unique risk factors associated with each customer group.

#### (q) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. Non-financial assets include PP&E, intangible assets and goodwill. For PP&E and intangible assets with definite useful lives, the recoverable amount is estimated when an indication of impairment exists. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated at least once each year.

The recoverable amount of an asset or cash-generating unit (CGU) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using an after-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are tested as a CGU. CGUs are the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. For the purposes of goodwill impairment testing, goodwill acquired in

# EPCOR UTILITIES INC.

Notes to the Consolidated Financial Statements  
(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Years ended December 31, 2025 and 2024

---

a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in net income. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill and CCN allocated to the units, and then to reduce the carrying amounts of the other assets in the unit or the group of units on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other non-financial assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a fundamental change, since the date of impairment, which may improve the financial performance of the non-financial asset. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(r) Foreign currency transactions and translation

*Foreign currency transactions*

Transactions denominated in currencies other than the Canadian dollar are translated at exchange rates in effect at the transaction date. At each reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the end of the reporting period. Other non-monetary assets and liabilities are not retranslated unless they are carried at fair value. The resulting foreign exchange gains or losses are included in net income except for foreign exchange gains or losses on financial liabilities designated as hedges of a net investment in foreign operations, which are recorded in other comprehensive income. The cumulative deferred translation gains or losses related to hedges of a net investment in foreign operations are reclassified to net income at the earlier of de-recognition of a financial liability or on disposal of the foreign operations.

*Foreign operations translation*

On consolidation, the assets and liabilities of foreign operations that have a functional currency other than Canadian dollars are translated into Canadian dollars at the exchange rates in effect at the end of the reporting period. Revenues and expenses are translated at the average monthly exchange rates prevailing during the period. The resulting translation gains or losses are deferred and included in the cumulative translation account in accumulated other comprehensive income. The cumulative deferred translation gains or losses on the foreign operations are reclassified to net income, only on disposal of the foreign operations.

(s) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it earns revenues and incurs expenses, including revenues and expenses that relate to transactions with any of the Company's other components. Transactions between segments are made under terms that approximate market value. The results for all operating segments, for which discrete financial information is available, are reviewed regularly by the Company's executive management to assess their performance and make decisions about resources to be allocated to the segment.

Segment results that are reported to management include items directly attributable to the segment as well as those that can be allocated on a reasonable and consistent basis. Unallocated items comprise mainly corporate assets, head office expenses and income tax assets and liabilities.

The Company aggregates operating segments when they offer similar products and services, have similar business processes, use similar methods to distribute the goods and services, have similar customer bases and operate under similar regulatory environments.

# EPCOR UTILITIES INC.

Notes to the Consolidated Financial Statements  
(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Years ended December 31, 2025 and 2024

---

(t) Standards and interpretations not yet applied

A number of new standards, amendments to standards and interpretations of standards have been issued by the IASB and the IFRIC, respectively, the application of which is effective for periods beginning on or after January 1, 2026. The following changes may have an impact on the Company's future financial statements:

In April 2024, the IASB issued IFRS 18 *Presentation and Disclosure in Financial Statements* which will replace IAS 1 *Presentation of Financial Statements*. The new standard will establish a revised structure for the consolidated statements of comprehensive income and improve comparability across entities and reporting periods. IFRS 18 is effective for annual periods beginning on or after January 1, 2027. The standard will be applied retroactively, with certain transition provisions. The Company is currently evaluating the impact of adopting IFRS 18 on the consolidated financial statements.

#### 4. Use of judgments and estimates

The preparation of the Company's consolidated financial statements in accordance with IFRS requires management to make judgments in the application of accounting policies, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities as well as the disclosure of contingent assets and liabilities at the date of the consolidated financial statements.

(a) Judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are included in notes:

- Note 3(c) – Business combinations and goodwill
- Note 3(d) – Revenue recognition
- Note 3(g) – Leases
- Note 3(h) – Property, plant and equipment
- Note 3(j) – Service concession arrangements
- Note 3(l) – Provisions

(b) Estimates

The Company reviews its estimates and assumptions on an ongoing basis, uses the most current information available and exercises careful judgment in making these estimates and assumptions. Adjustments to previous estimates, which may be material, are recorded in the period in which they become known. Actual results may differ from these estimates.

Assumptions and uncertainties that have a significant risk of resulting in a material adjustment within the next financial year include:

##### **Revenues and energy purchases and system access fees**

By regulation, electricity wire service providers in Alberta have four months to submit the final electricity load settlement data after the month in which such electricity was consumed. The data and associated processes and systems used by the Company to estimate electricity sales revenues and electricity purchase costs, including unbilled consumption, are complex. The Company's estimation procedures will not necessarily detect errors in underlying data provided by industry participants including wire service providers and load settlement agents.

##### **Fair value measurement**

Certain accounting measures such as determining asset impairments, purchase price allocations for business combinations, and recording certain financial and non-financial assets and liabilities, require the Company to estimate an item's fair value. Estimates of fair value may be based on readily determinable market values or on depreciable replacement cost or discounted cash flow techniques employing estimated future cash flows based on a number of assumptions and using an appropriate discount rate.

The financial instruments of the Company that are recorded at fair value have been classified into levels using a fair value hierarchy. A Level 1 valuation is determined by using unadjusted quoted prices in active markets for identical assets or liabilities. A Level 2 valuation is based upon inputs other than quoted prices included in Level 1 that are

# EPCOR UTILITIES INC.

Notes to the Consolidated Financial Statements  
(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Years ended December 31, 2025 and 2024

observable for the instruments either directly or indirectly. A Level 3 valuation is based on unobservable inputs that are supported by little or no observable market data and that are significant to the fair value of the instrument.

Fair value for derivative financial instruments is determined based on exchange or over-the-counter price quotations by reference to bid or asking price, as appropriate, in active markets for similar instruments. Fair value amounts reflect management's best estimates using external readily observable market data, such as forward prices, interest rates and foreign exchange rates

In illiquid or inactive markets, the Company uses valuation and price modeling techniques commonly used by market participants to estimate fair value. Fair values determined using valuation models require the use of assumptions concerning the amounts and timing of future cash flows. It is possible that the assumptions used in establishing fair value amounts will differ from future outcomes and the impact of such variations could be material.

## Deferred taxes

Significant estimation is required in determining the provision for income taxes. Recognition of deferred tax assets in respect of deductible temporary differences and unused tax losses and credits is based on management's estimation of future taxable income against which the deductible temporary differences and unused tax losses and credits can be utilized. The actual utilization of these deductible temporary differences and unused tax losses and credits may vary materially from the amounts estimated.

## 5. Revenues

Revenues disaggregated by major goods or services, excluding intersegment revenues, are as follows:

Year ended December 31, 2025	Water Services	Distribution & Transmission	Energy Services	NACS	U.S. Regulated Water	Other	Consolidated
Energy and water sales	\$ 335	\$ -	\$ 400	\$ 86	\$ 231	\$ -	\$ 1,052
Provision of services	553	535	43	157	178	-	1,466
Construction revenue	-	-	-	302	-	-	302
Other commercial revenue (note 12)	-	-	-	108	-	6	114
	\$ 888	\$ 535	\$ 443	\$ 653	\$ 409	\$ 6	\$ 2,934

Year ended December 31, 2024	Water Services	Distribution & Transmission	Energy Services	NACS	U.S. Regulated Water	Other	Consolidated
Energy and water sales	\$ 311	\$ -	\$ 352	\$ 83	\$ 220	\$ -	\$ 966
Provision of services	537	482	44	132	164	-	1,359
Construction revenue	-	-	-	1,037	-	-	1,037
Other commercial revenue	-	-	-	24	-	9	33
	\$ 848	\$ 482	\$ 396	\$ 1,276	\$ 384	\$ 9	\$ 3,395

Revenues from contracts with customers expected to be recognized in future periods related to performance obligations that are unsatisfied or partially satisfied at December 31, 2025, are as follows:

# EPCOR UTILITIES INC.

Notes to the Consolidated Financial Statements  
(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Years ended December 31, 2025 and 2024

	2026	2027	2028	2029	2030	2031 and thereafter	Total
NACS - water supply commercial contracts <sup>1</sup>	\$ 11	\$ 18	\$ 24	\$ 26	\$ 26	\$ 1,337	\$ 1,442
Contract liabilities - contributions received from customers, developers and government grants <sup>2</sup>	126	120	120	120	120	4,911	5,517
NACS - other construction and other commercial revenue contracts	37	11	5	3	2	11	69
<b>Total</b>	<b>\$ 174</b>	<b>\$ 149</b>	<b>\$ 149</b>	<b>\$ 149</b>	<b>\$ 148</b>	<b>\$ 6,259</b>	<b>\$ 7,028</b>

1 The Company has contracts for supply of water to a city and certain commercial customers in the state of Texas. Under these contracts, the customers have committed to take or pay for a contracted quantity of water. The remaining terms of these contracts range between 15 to 53 years.

2 The Company has contract liabilities recorded as deferred revenue in the consolidated statements of financial position related to contributions received from customers, developers, other unrelated entities and government grants. Revenues will be recognized in future periods, as described in note 3(k), over periods ranging up to 80 years.

The Company has numerous contracts with customers for supply of each of electricity, natural gas and water as well as provision of sanitary and stormwater collection and wastewater treatment services. These contracts are perpetual with no agreed fixed term and can be terminated at any time by either the customer or the Company. Under the terms of the contracts, in case of termination of these contracts, the Company has the right to receive payment for the performance obligation satisfied to the termination date.

## 6. Expenses

	2025	2024
<b>Included in staff costs and employee benefits expenses</b>		
Post-employment defined contribution plan expense	\$ 51	\$ 47
Post-employment defined benefit plan expense	3	4
	<b>\$ 54</b>	<b>\$ 51</b>
<b>Depreciation and amortization</b>		
Depreciation of PP&E	\$ 436	\$ 411
Amortization of intangible assets	36	34
	<b>\$ 472</b>	<b>\$ 445</b>

## 7. Other income and gain (loss) on disposals

	2025	2024
Other income <sup>1</sup>	\$ 7	\$ -
Impairment on land <sup>2</sup>	(10)	-
Loss on divestiture of Texas Gas Natural Gas Utility	(3)	-
Loss on disposal of assets	(23)	(20)
	<b>\$ (29)</b>	<b>\$ (20)</b>

1 Other income includes \$5 million related to insurance recoveries on U.S. Regulated Water's Wishing Well plant located in Fort Mohave, Arizona that experienced damage in the second quarter of 2025 due to a significant weather event that caused widespread flooding throughout the community.

2 During the year, the Company recorded impairment on land of \$10 million within the U.S. Regulated Water reportable segment.

# EPCOR UTILITIES INC.

Notes to the Consolidated Financial Statements  
(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Years ended December 31, 2025 and 2024

## Divestiture of Texas Natural Gas Utility (Texas Gas)

On June 2, 2025, SiEnergy Operating (SiEnergy), a wholly owned subsidiary of Northwest Natural Holding Company, acquired 100% of the capital stock of Texas Gas from the Company under the terms of a Stock Purchase Agreement for \$83 million (US\$60 million). Texas Gas' assets, previously part of the NACS reportable segment, at the time of sale included 6,900 active customers, 7,300 metered connections, an additional 12,000 contracted future connections, and 570 kilometers of pipeline serving over 40 communities across seven counties northeast of Houston. The divestiture will allow the Company to focus on growing its water business in the U.S. The Company recognized a loss on divestiture of \$3 million, included within other income and gain (loss) on disposals on the statement of comprehensive income. Related to the divestiture, included within income tax expense is a recovery of \$8 million on the reversal of the deferred income tax liability, and current income tax expense of \$8 million.

The net book value of Texas Gas divested on June 2, 2025 was as follows:

	2025
Trade and other receivables	\$ 1
Inventories and prepaid expenses	1
Property, plant, and equipment	85
Trade and other payables	(1)
Net book value of Texas Gas	\$ 86

The divestiture of Texas Gas did not have a material impact on the operating income of the Company for the year ended December 31, 2025.

## 8. Finance expenses

	2025	2024
Interest on loans and borrowings	\$ (227)	\$ (218)
Interest on lease liabilities, net of interest on sub-lease	(2)	(2)
Accretion of interest related to contributions from customers and developers (note 19)	(1)	(1)
Amounts capitalized within PP&E	18	14
	\$ (212)	\$ (207)

## 9. Income tax expense

	2025	2024
Current income tax expense	\$ (45)	\$ (4)
Deferred income tax expense		
Relating to origination and reversal of temporary differences	(27)	(24)
Other	8	(6)
	(19)	(30)
	\$ (64)	\$ (34)

# EPCOR UTILITIES INC.

Notes to the Consolidated Financial Statements  
(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Years ended December 31, 2025 and 2024

Income taxes differ from the amounts that would be computed by applying the federal and provincial income tax rates as follows:

	2025	2024
Income before income taxes	\$ 597	\$ 461
Income taxes at the statutory rate of 23% (2024 - 23%)	(137)	(106)
Decrease resulting from:		
Income exempt from income taxes at statutory rates	78	71
Non-taxable amounts	(1)	-
Income tax related to prior periods	(1)	-
Effect of higher tax rate in the U.S.	1	-
Other	(4)	1
	\$ (64)	\$ (34)

## 10. Cash

### Restricted cash balances

At December 31, 2025, the Company held \$35 million (2024 - \$nil) of cash that was classified as restricted. This amount had been placed in escrow with an independent escrow agent and was subject to release to a third party upon certain conditions being met under the terms of the agreement between the Company and the third party. The restricted cash was not available for general use by the Company as at December 31, 2025. Subsequent to December 31, 2025, the escrow conditions were satisfied and the \$35 million was released in accordance with the terms of the agreement.

## 11. Trade and other receivables

	2025	2024
Trade receivables	\$ 286	\$ 368
Accrued revenues	281	273
Gross accounts receivable	567	641
Expected credit loss allowance (note 26)	(13)	(16)
Net accounts receivable	554	625
Income tax recoverable	5	11
Prepaid expenses	27	32
	\$ 586	\$ 668

Details of the aging of accounts receivable and analysis of the changes in the ECL allowance are provided in note 26.

## 12. Other financial assets

	2025	2024
Unbilled construction receivable	\$ 8	\$ 84
Long-term receivables from service concession arrangements	66	68
Finance lease receivables	356	371
Long-term investments	10	10
Loans and other long-term receivables	86	88
Derivative financial assets (note 25)	14	12
Total other financial assets	540	633
Less: current portion	17	94
	\$ 523	\$ 539

# EPCOR UTILITIES INC.

Notes to the Consolidated Financial Statements  
(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Years ended December 31, 2025 and 2024

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## **Samsung Austin Semiconductor, LLC (Samsung) Projects - unbilled construction receivable and finance lease receivable**

In prior years, the Company signed Project Agreements (the PAs) with Samsung, a wholly owned subsidiary of Samsung Electronics Co., Ltd., to design, build, own, operate, maintain and transfer to Samsung at the expiry of the full operation and maintenance term, or in certain instances of early termination, 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. In the fourth quarter of 2025, the parties agreed that the final commissioning for Project Sandow was reached on September 22, 2025 and under the terms of the PA, the operation and maintenance period of 30 years commenced. The Company funded US\$120 million for the project and the lease receivable repayments commenced effective July 1, 2025. At December 31, 2025, the finance lease receivable for the Company's investment in the groundwater supply system for Project Sandow was \$164 million (2024 - \$173 million), which will be recovered over the term of 30 years.

On August 5, 2025, the Company and Samsung reached an agreement for Project Blue Sky (Transfer Agreement) in which the parties agreed to modify expiration of the terms of the PA. On October 31, 2025 closing conditions of the Transfer Agreement were met and in exchange for a fee of US\$63 million, the Company legally transferred Project Blue Sky to Samsung and is no longer committed to fund the Company's remaining commitment of US\$180 million or to operate and maintain the assets for the 30-year period under the terms of the PA. The US\$63 million fee was received in multiple payments during the years ended December 31, 2025 and 2024 in the amounts of \$84 million (US\$60 million) and \$4 million (US\$3 million), respectively, and is recognized in other commercial revenue on the statement of comprehensive income. Concurrently, the parties signed an agreement whereby the Company will provide Samsung commissioning, startup and operations and maintenance advisory services for a period of three years.

During the year ended December 31, 2025, the Company recorded construction revenues of \$277 million (2024 - \$979 million) and finance lease income of \$9 million (2024 - \$nil) related to the Samsung projects, which were recognized in accordance with the terms of the PAs and subsequent amendments. Construction expenditures, totalling \$267 million (2024 - \$926 million), were recorded in other raw materials and operating charges.

At December 31, 2025, the Company recorded \$2 million (2024 - \$79 million) in the current portion of other financial assets, which represents unbilled construction revenues translated at the period end exchange rate.

At December 31, 2025, the Company recorded \$37 million (2024 - \$73 million) within trade and other receivables due from Samsung.

## **Service concession arrangements**

The Company executed service concession arrangements to design, build, upgrade, finance, operate and maintain, under public private partnerships, water and wastewater treatment facilities. The consideration under the service concession arrangements constitute rights to financial assets and have been recorded as long-term receivables. The material terms of the arrangements are summarized below:

### *City of Regina*

In July 2014, EPCOR entered into an agreement with the City of Regina to operate and maintain an existing facility and design, build, finance, operate and maintain a new wastewater treatment facility under a public private partnership. In August 2014, EPCOR took over the operations of the existing wastewater treatment plant and the construction of the new plant was completed in December 2017. The contract includes operation of both facilities for a term of 30 years. As of December 31, 2025, an amount of \$66 million (2024 - \$68 million) has been recorded as a financial asset which will be recovered along with financing revenue at the interest rate established in the arrangement over the remaining life of the arrangement.

# EPCOR UTILITIES INC.

Notes to the Consolidated Financial Statements  
(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Years ended December 31, 2025 and 2024

## Finance lease receivables

Approximate future payments to the Company under the finance lease receivables are as follows:

	2025	2024
Within one year	\$ 37	\$ 19
After one year but not more than five years	147	78
More than five years	697	430
Unearned finance income	(525)	(156)
	\$ 356	\$ 371

During the year ended December 31, 2025, the Company received sub-lease rental payments of \$3 million (2024 - \$1 million).

### *Trans Mountain finance lease receivable*

In 2020, the Company entered into an agreement to design, build, own, maintain and transfer the substation electricity infrastructure related to the Trans Mountain Pipeline expansion project. The construction of the electricity infrastructure was substantially complete in December 2021 and placed into service.

The Company recognized the investment of \$104 million (2024 - \$107 million) on the electricity infrastructure as a finance lease receivable, which will be recovered over the lease term of 20 years, including additional funds invested on various ancillary projects related to the lease. During the year, the Company recognized construction revenue related to the construction of the electricity infrastructure of \$nil (2024 - \$1 million) and finance lease income of \$7 million (2024 - \$5 million).

### *Darlington finance lease receivable*

In 2021, the Company entered into an agreement to design, build, own, operate, maintain and transfer a demineralized water plant facility for the Darlington Nuclear Power Generating Stations. The construction of the water infrastructure was substantially complete and placed into service in 2024.

The Company recognized the investment of \$66 million (2024 - \$67 million) on the water infrastructure as a finance lease receivable, which will be recovered over the term of 30 years after completion of construction. During the year, the Company recognized construction revenue related to the construction of the water infrastructure of \$nil (2024 - \$7 million) and finance lease income of \$4 million (2024 - \$4 million).

## Long-term investments

The Company holds a 5% equity interest in Vista Ridge LLC (Vista Ridge) at December 31, 2025 and 2024. The carrying amount of the investment was \$6 million at December 31, 2025 (2024 - \$6 million). Vista Ridge owns a water pipeline in the central part of the state of Texas, which supplies water to the San Antonio Water System.

In 2024, the Company acquired a 45% interest in Shulus Electricity Transmission Line Limited Partnership (Shulus) from Valard Construction LP for cash consideration of a nominal amount, and subsequently made a capital contribution of \$4 million into the partnership. The equity method is used to account for this investment and the carrying amount of the investment was \$4 million at December 31, 2025 (2024 - \$4 million). Shulus owns, operates and maintains the Kingsvale, British Columbia power interconnection infrastructure pursuant to an operating and maintenance (O&M) agreement with Trans Mountain. The Company operates and maintains the infrastructure pursuant to an O&M agreement with Shulus with a term of 20 years with an automatic renewal for another 20-year term.

# EPCOR UTILITIES INC.

Notes to the Consolidated Financial Statements  
(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Years ended December 31, 2025 and 2024

## 13. Deferred tax assets / liabilities

Deferred tax assets are attributable to the following:

	2025	2024
Non-capital losses carried forward	\$ 21	\$ 44
Investment in partnerships	11	15
Canadian resource expenditures	7	7
Provisions	26	21
Deferred revenue	237	218
Other	13	17
Deferred tax assets	315	322
Set off by deferred tax liabilities	(272)	(256)
Net deferred tax assets	\$ 43	\$ 66

Deferred tax liabilities are attributable to the following:

	2025	2024
Investment in partnerships	-	3
Property, plant and equipment	310	301
Intangible assets and goodwill	58	56
Deferred tax liabilities	368	360
Set off by deferred tax assets	(272)	(256)
Net deferred tax liabilities	\$ 96	\$ 104

The changes in temporary differences during the years ended December 31, 2025 and 2024 were as follows:

	Balance, beginning of 2025	Recognized in net income	Recognized in other comprehensive income	Recognized in business acquisitions	Foreign currency valuation adjustment and other	Balance, end of 2025
Non-capital losses carried forward	\$ 44	\$ (23)	\$ -	\$ -	\$ -	\$ 21
Investment in partnerships	12	(1)	-	-	-	11
Canadian resource expenditures	7	-	-	-	-	7
Provisions	21	6	-	-	(1)	26
Deferred revenue	218	28	-	-	(9)	237
Property, plant and equipment	(301)	(23)	-	-	14	(310)
Intangible assets and goodwill	(56)	(4)	-	-	2	(58)
Other	17	(2)	1	-	(3)	13
	\$ (38)	\$ (19)	\$ 1	\$ -	\$ 3	\$ (53)

## EPCOR UTILITIES INC.

Notes to the Consolidated Financial Statements  
(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Years ended December 31, 2025 and 2024

	Balance, beginning of 2024	Recognized in net income	Recognized in other comprehensive income	Recognized in business acquisitions	Foreign currency valuation adjustment and other	Balance, end of 2024
Non-capital losses carried forward	\$ 52	\$ (10)	\$ -	\$ 2	\$ -	\$ 44
Investment in partnerships	15	(3)	-	-	-	12
Canadian resource expenditures	7	-	-	-	-	7
Provisions	27	(8)	1	-	1	21
Deferred revenue	163	40	-	-	15	218
Property, plant and equipment	(239)	(40)	-	-	(22)	(301)
Intangible assets and goodwill	(43)	(10)	-	-	(3)	(56)
Other	15	1	-	-	1	17
	\$ (3)	\$ (30)	\$ 1	\$ 2	\$ (8)	\$ (38)

The Company also has taxable temporary differences of \$665 million (2024 - \$639 million), associated with investments in subsidiaries, for which no deferred tax liability has been recognized. In addition, no deferred tax liability has been recognized in respect of unremitted earnings of subsidiaries as the Company is in a position to control the timing of the reversal of temporary difference and it is probable that such differences will not be reversed in the foreseeable future.

The non-capital losses expire between the years 2038 and 2045.

The Company recognized deferred tax assets in the amount of \$43 million (2024 - \$66 million), the utilization of which is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences. The recognition of these deferred tax assets is based on taxable income forecasts that incorporate existing circumstances that will result in positive taxable income against which non-capital loss carry-forwards can be utilized as well as management's intention to implement specific income tax planning strategies that will allow for the offset of remaining deductible temporary differences against future earnings of taxable entities within the consolidated group.

Deferred tax assets have not been recognized in respect of \$280 million (2024 - \$280 million) of capital losses as it is not probable that future taxable capital gains will be available against which the Company can utilize the benefits of these losses. These losses do not expire.

The Company is subject to the global minimum top-up tax under Pillar Two tax legislation, which is effective in Canada for periods ending on or after December 31, 2023. The Company has applied the temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred. EPCOR has no current tax under the Pillar Two tax legislation for the years ended December 31, 2025 and 2024.

# EPCOR UTILITIES INC.

Notes to the Consolidated Financial Statements  
(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Years ended December 31, 2025 and 2024

## 14. Property, plant and equipment

	Construction work in progress	Land	Water treatment & distribution, wastewater collection & treatment	Energy transmission & distribution	Corporate information systems & other	Right-of- use assets <sup>1</sup>	Total
<b>Cost</b>							
Balance, beginning of 2025	\$ 578	\$ 356	\$ 13,349	\$ 4,554	\$ 96	\$ 86	\$ 19,019
Additions <sup>2</sup>	1,285	-	172	9	-	3	1,469
Disposals and retirements	(6)	-	(47)	(11)	(3)	(4)	(71)
Disposals through divestiture (note 7)	(2)	-	-	(102)	-	-	(104)
Impairment (note 7)	-	(10)	-	-	-	-	(10)
Transfers into service	(1,333)	1	1,050	269	13	-	-
Foreign currency valuation adjustments	(6)	(2)	(137)	(5)	-	-	(150)
Balance, end of 2025	516	345	14,387	4,714	106	85	20,153
<b>Accumulated depreciation</b>							
Balance, beginning of 2025	-	-	3,204	1,303	61	43	4,611
Depreciation	-	-	296	122	10	8	436
Disposals and retirements	-	-	(32)	(7)	(3)	(4)	(46)
Disposals through divestiture (note 7)	-	-	-	(19)	-	-	(19)
Foreign currency valuation adjustments	-	-	(31)	(1)	-	(1)	(33)
Balance, end of 2025	-	-	3,437	1,398	68	46	4,949
<b>Net book value, end of 2025</b>	<b>\$ 516</b>	<b>\$ 345</b>	<b>\$ 10,950</b>	<b>\$ 3,316</b>	<b>\$ 38</b>	<b>\$ 39</b>	<b>\$ 15,204</b>

# EPCOR UTILITIES INC.

Notes to the Consolidated Financial Statements  
(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Years ended December 31, 2025 and 2024

	Construction work in progress	Land	Water treatment & distribution, wastewater collection & treatment	Energy transmission & distribution	Corporate information systems & other	Right-of- use assets <sup>1</sup>	Total
<b>Cost</b>							
Balance, beginning of 2024	\$ 505	\$ 352	\$ 12,214	\$ 4,262	\$ 94	\$ 85	\$ 17,512
Additions <sup>2</sup>	1,134	-	190	11	-	4	1,339
Additions through business acquisitions	9	-	19	-	-	-	28
Disposals and retirements <sup>3</sup>	-	-	(67)	(7)	(13)	(5)	(92)
Transfers into service	(1,082)	1	787	279	15	-	-
Foreign currency valuation adjustments	12	3	206	9	-	2	232
Balance, end of 2024	578	356	13,349	4,554	96	86	19,019
<b>Accumulated depreciation</b>							
Balance, beginning of 2024	-	-	2,911	1,194	66	35	4,206
Depreciation	-	-	285	110	8	8	411
Disposals and retirements	-	-	(41)	(4)	(13)	(1)	(59)
Foreign currency valuation adjustments	-	-	49	3	-	1	53
Balance, end of 2024	-	-	3,204	1,303	61	43	4,611
<b>Net book value, end of 2024</b>	<b>\$ 578</b>	<b>\$ 356</b>	<b>\$ 10,145</b>	<b>\$ 3,251</b>	<b>\$ 35</b>	<b>\$ 43</b>	<b>\$ 14,408</b>

1 The ROU assets primarily consist of land and buildings (including office spaces).

2 Additions include non-cash contributed assets of \$323 million (2024 - \$330 million).

There are no security charges over the Company's PP&E, except as described in note 17.

# EPCOR UTILITIES INC.

Notes to the Consolidated Financial Statements  
(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Years ended December 31, 2025 and 2024

## 15. Intangible assets and goodwill

	Goodwill	Customer rights <sup>1</sup>	Other rights (including water rights)	CCN	Software	Total
<b>Cost</b>						
Balance, beginning of 2025	\$ 196	\$ 52	\$ 127	\$ 96	\$ 306	\$ 777
Additions	-	-	9	-	18	27
Disposals and retirements	-	-	(1)	-	(6)	(7)
Foreign currency translation adjustments	(8)	-	(6)	(4)	-	(18)
Balance, end of 2025	188	52	129	92	318	779
<b>Accumulated amortization</b>						
Balance, beginning of 2025	-	25	24	-	180	229
Amortization	-	7	4	-	25	36
Disposals and retirements	-	-	-	-	(6)	(6)
Foreign currency valuation adjustments	-	-	(1)	-	-	(1)
Balance, end of 2025	-	32	27	-	199	258
<b>Net book value, end of 2025</b>	<b>\$ 188</b>	<b>\$ 20</b>	<b>\$ 102</b>	<b>\$ 92</b>	<b>\$ 119</b>	<b>\$ 521</b>

	Goodwill	Customer rights <sup>1</sup>	Other rights (including water rights)	CCN	Software	Total
<b>Cost</b>						
Balance, beginning of 2024	\$ 182	\$ 52	\$ 121	\$ 88	\$ 295	\$ 738
Additions	-	-	-	-	16	16
Disposals and retirements	-	-	-	-	(6)	(6)
Transfers	-	-	(2)	-	-	(2)
Foreign currency translation adjustments	14	-	8	8	1	31
Balance, end of 2024	196	52	127	96	306	777
<b>Accumulated amortization</b>						
Balance, beginning of 2024	-	20	21	-	158	199
Amortization	-	5	2	-	27	34
Disposals and retirements	-	-	-	-	(6)	(6)
Foreign currency valuation adjustments	-	-	1	-	1	2
Balance, end of 2024	-	25	24	-	180	229
<b>Net book value, end of 2024</b>	<b>\$ 196</b>	<b>\$ 27</b>	<b>\$ 103</b>	<b>\$ 96</b>	<b>\$ 126</b>	<b>\$ 548</b>

1 The Company's customer rights consist of rights to operate in the FortisAlberta Service territory. The customer rights were acquired for a term of eight years effective January 1, 2021.

There are no security charges over the Company's intangible assets, except as described in note 17.

# EPCOR UTILITIES INC.

Notes to the Consolidated Financial Statements  
(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Years ended December 31, 2025 and 2024

For purposes of impairment testing, CCN has been allocated to CGUs as follows:

	2025	2024
<b>Cash-generating unit:</b>		
U.S. Regulated Water - Water Arizona	\$ 92	\$ 96
	\$ 92	\$ 96

For purposes of impairment testing, goodwill acquired through business combinations has been allocated to CGUs as follows:

	2025	2024
<b>Cash-generating unit:</b>		
U.S. Regulated Water CGUs	\$ 165	\$ 173
NACS CGUs	23	23
	\$ 188	\$ 196

The most recent impairment testing for goodwill was performed in the fourth quarter of 2025 for each CGU.

## Key assumptions used for value in use calculations

The future cash flows of the underlying businesses are relatively stable since they relate primarily to ongoing electricity, natural gas and water supply in a rate-regulated environment. In the case of CGUs operating under a rate-regulated environment, revenues are set by the regulators to cover operating costs and to earn a return on the rate base, which is set at the regulator's approved weighted average cost of capital for the underlying utility. For non-regulated CGUs, revenues are estimated based on long-term water supply contracts executed with the customers, which include escalation in rates and volumes over the term of the contracts.

The calculation of value in use for the CGUs is most sensitive to the following assumptions:

### Discount rates

The after-tax discount rates used ranged from 5.26% to 8.03% (2024 – 4.55% to 7.32%), which were estimated based on the weighted average cost of capital for the CGUs.

### Timing of future rate increases

Revenue growth is forecast at average from 1.98% to 4.98% per annum (2024 - from 1.56% to 7.14% per annum). In the case of rate-regulated businesses, if future rate filings are delayed then rate increases and increased cash flows from revenues would be affected. In the case of non-regulated businesses, delays in execution of additional long-term contracts could affect cash flows from revenues.

### Sensitivity to changes in assumptions

Assumptions have been tested using reasonably possible alternative scenarios. For all scenarios considered, the recoverable value remained above the carrying amount of the CGU.

## 16. Trade and other payables

	2025	2024
Trade payables	\$ 355	\$ 356
Accrued liabilities	232	300
Accrued interest	43	41
Due to employees	26	27
Income tax payable	18	-
	\$ 674	\$ 724

# EPCOR UTILITIES INC.

Notes to the Consolidated Financial Statements  
(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Years ended December 31, 2025 and 2024

## 17. Loans and borrowings

	Effective interest rate	Principal payment terms	2025	2024
<b>Long-term loans and borrowings</b>				
<b>Municipal debt obligations</b>				
<b>Obligations to the City</b>				
At 5.20%, due between 2024 and 2034 <sup>1</sup>	5.36%	Semi-annual installments	21	26
At 3.43%, due between 2024 and 2042 <sup>2</sup>	3.43%	Periodic installments	371	400
			392	426
<b>Obligation to the Town of Collingwood</b>				
At 3.87% due between 2035 and 2043 <sup>3</sup>	3.94%	Periodic installments	5	5
			397	431
<b>Senior unsecured debentures</b>				
At 6.80%, due in 2029	7.05%	Due at maturity	150	150
At 3.37%, due in 2030 <sup>5</sup>	3.52%	Due at maturity	250	-
At 2.41%, due in 2031	2.49%	Due at maturity	200	200
At 5.65%, due in 2035	5.88%	Due at maturity	200	200
At 6.65%, due in 2038	6.83%	Due at maturity	200	200
At 5.75%, due in 2039	5.88%	Due at maturity	200	200
At 4.55%, due in 2042	4.65%	Due at maturity	300	300
At 3.55%, due in 2047	3.62%	Due at maturity	400	400
At 3.95%, due in 2048	4.03%	Due at maturity	200	200
At 3.11%, due in 2049	3.17%	Due at maturity	350	350
At 2.90%, due in 2050	2.95%	Due at maturity	300	300
At 3.29%, due in 2051	3.35%	Due at maturity	200	200
At 4.73%, due in 2052	4.83%	Due at maturity	450	450
At 5.33%, \$550 face value due in 2053	5.25%	Due at maturity	565	566
At 4.99%, \$450 face value due in 2054 <sup>4</sup>	4.82%	Due at maturity	470	470
			4,435	4,186
<b>Private debt notes</b>				
Bonds at 5.00%, due in 2041	5.08%	Due at maturity	154	161
Bonds at 3.63%, due in 2041	3.71%	Due at maturity	55	58
Bonds at 3.08%, due in 2051	3.13%	Due at maturity	69	72
Bonds at 3.13%, due in 2051	3.18%	Due at maturity	69	72
			347	363
			5,179	4,980
Debt issuance costs			(28)	(28)
Total long-term loans and borrowings			5,151	4,952
<b>Short-term debt – commercial papers</b>				
			133	152
Total loans and borrowings			5,284	5,104
Less: current portion			167	185
			\$ 5,117	\$ 4,919

# EPCOR UTILITIES INC.

Notes to the Consolidated Financial Statements  
(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Years ended December 31, 2025 and 2024

## Obligations to the City

- 1 In 2009, the City transferred the Gold Bar wastewater treatment plant (Gold Bar) to EPCOR. Pursuant to the Gold Bar asset transfer agreement, EPCOR issued \$112 million of long-term debt to the City representing EPCOR's proportionate share of the City's debt obligations in respect of Gold Bar assets.
- 2 In 2017, the City transferred the sanitary and stormwater services business to the Company. Pursuant to the transfer of sanitary and stormwater services business, the Company issued a promissory note to the City having fair value of \$604 million on the date of transfer, representing EPCOR's proportionate share of the City's debt obligations in respect of sanitary and stormwater services business.

The obligation to the City will rank at least equal to all current and future senior unsecured debt that may be issued by the Company.

## Obligation to the Town of Collingwood

- 3 In 2018, the Company acquired Collingwood PowerStream Utility Services Corp. (Collingwood). As part of the acquisition, the Company assumed long-term debt of \$8 million payable to the Town of Collingwood. The debt is fully secured by the assets of the Collingwood utility.

## Senior unsecured debentures

- 4 During the year ended December 31, 2024, the Company issued \$470 million long-term senior unsecured debentures for a term of 30 years. The debentures were issued at a premium with a face value of \$450 million.
- 5 During the year ended December 31, 2025, the Company issued \$250 million long-term senior unsecured debentures for a term of 5 years.

The senior unsecured debentures are unsecured direct obligations of the Company and subject to statutory preferred exemptions, rank equally with all other unsecured and unsubordinated indebtedness of the Company. The debentures are redeemable by the Company prior to maturity at the greater of par and a price specified under the terms of the debenture. Interest is payable semi-annually, and unless otherwise stated face value is equal to the carrying amount of the debentures.

## Private debt notes

The private debt notes are issued in U.S. dollars. These notes are unsecured direct obligations of the Company and subject to statutory preferred exemptions, rank equally with all other unsecured and unsubordinated indebtedness of the Company. The private debt notes are redeemable by the Company prior to maturity at the greater of par and a price specified under the terms of the private debt notes.

## 18. Deferred revenue

	2025	2024
Balance, beginning of year	\$ 5,258	\$ 4,798
Contributions received <sup>1</sup>	368	407
Transfers from provisions (note 19)	86	124
Acquired through business acquisitions	-	6
Revenue recognized	(177)	(144)
Other	-	2
Foreign currency valuation adjustments	(43)	65
Balance, end of year	5,492	5,258
Less: current portion	127	105
	\$ 5,365	\$ 5,153

- 1 Contributions received include cash contributions of \$147 million (2024 - \$162 million), accruals for contributions receivable of \$13 million (2024 - \$36 million) and non-cash contributions of \$208 million (2024 - \$209 million).

# EPCOR UTILITIES INC.

Notes to the Consolidated Financial Statements  
(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Years ended December 31, 2025 and 2024

## 19. Provisions

	2025	2024
Contributions from customers and developers	\$ 92	\$ 74
Post-employment benefit obligation	42	44
Other long-term employee benefit obligation	30	28
Short-term employee benefit obligation	33	48
Other	3	3
	200	197
Less: current portion	52	64
	\$ 148	\$ 133

### Contributions from customers and developers

	2025	2024
Balance, beginning of year	\$ 74	\$ 81
Contributions received <sup>1</sup>	116	124
Accretion of interest included within finance expense (note 8)	1	1
Transfers to deferred revenue (note 18)	(86)	(124)
Contributions refunded	(9)	(18)
Other	(1)	3
Foreign currency valuation adjustment	(3)	7
Balance, end of year	\$ 92	\$ 74

1 During the year, the Company received non-cash contributed assets of \$115 million (2024 - \$121 million).

### Post-employment benefits

Total cash payments for pension benefits for the year ended December 31, 2025, consisting of cash contributed by the Company to the LAPP, other defined contribution and benefit plans, and cash payments directly to beneficiaries for their unfunded pension plan, were \$54 million (2024 - \$51 million). Total contributions expected to be paid in 2026 to the LAPP, other defined contribution and benefit plans, and cash payments directly to beneficiaries for their unfunded pension plan are \$50 million.

## 20. Other liabilities

	2025	2024
Customer deposits	\$ 27	\$ 27
RRO Stability Act funding	-	14
Lease liabilities	72	80
Contingent consideration	51	53
Derivative financial liabilities (note 25)	13	5
Other	-	4
	163	183
Less: current portion	41	52
	\$ 122	\$ 131

# EPCOR UTILITIES INC.

Notes to the Consolidated Financial Statements  
(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Years ended December 31, 2025 and 2024

## RRO Stability Act funding

In December 2022, the Government of Alberta (GOA) amended the Regulated Rate Option Stability Act (the Act), to implement a ceiling on rates billed to RRO customers of 13.5 cents per kWh for electricity consumed during the first quarter of 2023. The difference between the approved RRO rate and the rate ceiling was collected from RRO customers through adjustments to electricity rates on electricity consumed between April 2023 to December 2024, collected until the end of 2025.

Under the Act, EPCOR and the other electricity retailers had the option to receive interest free funding from the GOA for the difference between the approved RRO rate and rate ceiling. Consequently, during the three months ended March 31, 2023, the Company received \$138 million of funding, which was repaid to the GOA upon collection of deferred amounts from RRO customers.

## Lease liabilities

The changes in lease liabilities during the year were as follows:

	2025	2024
Balance, beginning of year	\$ 80	\$ 91
Lease contracts executed during the year	3	4
Financing cost	3	3
Payments during the year	(14)	(14)
Derecognition of lease liabilities during the year	-	(4)
Balance, end of year	\$ 72	\$ 80

Approximate future payments by the Company with respect to its lease liabilities are as follows:

	2025	2024
Within one year	\$ 15	\$ 13
After one year but not more than five years	52	52
More than five years	13	25
Unrecognized finance expense	(8)	(10)
	\$ 72	\$ 80

The lease liabilities primarily consist of the Company's leases for land and buildings including office space in Edmonton, Canada. In 2007, the Company entered into a long-term agreement to lease commercial space in an office tower in Edmonton, Canada, primarily for its head office. The agreement, which became effective in the fourth quarter of 2011, has an initial lease term of approximately 20 years, expiring on December 31, 2031, and provides for three successive five-year renewal options. The Company is not reasonably certain it will exercise the renewal options under the lease, accordingly, the Company has not recognized a ROU asset or lease liability related to the renewal options.

## Contingent consideration

Total contingent consideration payable is comprised of:

### *EPCOR 130 Project Inc.*

Contingent consideration of US\$33 million represents the present value of the Company's commitment to pay on securing newly executed long-term contracts for the supply of water by EPCOR 130 Project Inc. and finalization of certain pending agreements with third parties. The Company is reasonably certain that it will be required to settle the commitment related to EPCOR 130 Project Inc. by way of cash payments and has accordingly recognized the liability for contingent consideration in the consolidated statements of financial position.

### *HAWSCo Acquisition*

Contingent consideration of \$5 million represents conditional holdback amounts arising from the purchase of HAWSCo in 2024. The Company is committed to pay contingent consideration on or before December 31, 2029 in two equal installments

# EPCOR UTILITIES INC.

Notes to the Consolidated Financial Statements  
(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Years ended December 31, 2025 and 2024

if HAWSCo achieves an aggregate of 1,368 units serviced and 1,709 units serviced accordingly by this date. The Company is reasonably certain that it will be required to settle the commitment related to the HAWSCO acquisition by way of cash payments and has accordingly recognized the liability for contingent consideration in the consolidated statements of financial position.

## 21. Share capital

### Authorized shares

Unlimited number of voting common shares without nominal or par value.

### Issued shares

Three common shares to the City.

### Capital contributions

Share capital includes capital contributions received from the City. As of December 31, 2025, the Company had accumulated capital contributions of \$798 million (2024 - \$798 million).

## 22. Changes in non-cash working capital

	2025	2024
Trade and other receivables (note 11)	\$ 77	\$ 272
Prepaid expenses (note 11)	5	(9)
Inventories	(4)	(1)
Unbilled construction receivable (note 12)	76	50
Other long-term receivables	(2)	-
Trade and other payables, excluding derivative financial liabilities (note 16)	(50)	(129)
	\$ 102	\$ 183

  

	2025	2024
Included in specific items on consolidated statements of cash flows:		
Interest paid	\$ 2	\$ 2
Other income and (gain) loss on disposals	(6)	-
Income tax expense	24	(5)
Contributions received	23	(13)
Business acquisition	-	(2)
Other	(3)	(7)
	40	(25)
Operating activities	59	254
Investing activities	3	(46)
	\$ 102	\$ 183

# EPCOR UTILITIES INC.

Notes to the Consolidated Financial Statements  
(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Years ended December 31, 2025 and 2024

## 23. Changes in liabilities arising from financing activities:

	At December 31, 2024	Issued or received	Redemptions, repayments or payments	Foreign currency valuation adjustments	Other	At December 31, 2025
Long-term loans and borrowings (including current portion):						
Obligations to the City	\$ 426	\$ -	\$ (34)	\$ -	\$ -	\$ 392
Obligation to the Town of Collingwood	5	-	-	-	-	5
Senior unsecured debentures	4,186	250	-	-	(1)	4,435
Private debt notes	363	-	-	(17)	1	347
Debt issuance costs	(28)	(1)	-	-	1	(28)
Total long-term loans and borrowings (including current portion)	\$ 4,952	\$ 249	\$ (34)	\$ (17)	\$ 1	\$ 5,151
Short-term loans and borrowings	\$ 152	\$ 7,860	\$ (7,879)	\$ -	\$ -	\$ 133
Contributions from customers and developers <sup>1</sup>	\$ 74	\$ 1	\$ (9)	\$ (3)	\$ 29	\$ 92
RRO Stability Act funding	\$ 14	\$ -	\$ (14)	\$ -	\$ -	\$ -
Lease liabilities	\$ 80	\$ 3	\$ (14)	\$ -	\$ 3	\$ 72

	At December 31, 2023	Issued or received	Redemptions, repayments or payments	Foreign currency valuation adjustments	Other	At December 31, 2024
Long-term loans and borrowings (including current portion):						
Obligations to the City	\$ 458	\$ -	\$ (32)	\$ -	\$ -	\$ 426
Obligation to the Town of Collingwood	6	-	(1)	-	-	5
Senior unsecured debentures	3,817	470	(100)	-	(1)	4,186
Private debt notes	340	-	(6)	29	-	363
Debt issuance costs	(25)	(4)	-	-	1	(28)
Total long-term loans and borrowings (including current portion)	\$ 4,596	\$ 466	\$ (139)	\$ 29	\$ -	\$ 4,952
Short-term loans and borrowings	\$ 145	\$ 11,010	\$ (11,004)	\$ 1	\$ -	\$ 152
Contributions from customers and developers <sup>1</sup>	\$ 81	\$ 3	\$ (18)	\$ 7	\$ 1	\$ 74
RRO Stability Act funding	\$ 87	\$ -	\$ (73)	\$ -	\$ -	\$ 14
Lease liabilities	\$ 91	\$ 4	\$ (14)	\$ -	\$ (1)	\$ 80

1 During the year, the Company received non-cash contributed assets of \$115 million (2024 - \$121 million), transferred \$86 million (2024 - \$124 million) of customer advances to deferred revenue, and recorded other adjustments of \$nil (2024 - \$4 million).

# EPCOR UTILITIES INC.

Notes to the Consolidated Financial Statements  
(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Years ended December 31, 2025 and 2024

## 24. Related party balances and transactions

### Compensation of key management personnel

	2025	2024
Salaries and short-term employee benefits	\$ 8	\$ 8
Post-employment benefits	1	1
Other long-term employee benefits	5	3
	\$ 14	\$ 12

The Company provides utility services to key management personnel, comprised of the executive leadership team, as it is the sole provider of certain services. Such services are provided in the normal course of operations and are based on normal commercial rates, as approved by regulation.

### Other related party transactions

The Company is 100% owned by the City. The Company provides maintenance, repair and construction services, and customer billing services to the City, and purchases of supplies, public works and various other services pursuant to service agreements. Sales between the Company and the City are in the normal course of operations, and are generally based on normal commercial rates, or as agreed to by the parties.

The following summarizes the Company's related party transactions with the City:

	2025	2024
<b>Consolidated Statements of Comprehensive Income</b>		
Revenues (a)	\$ 30	\$ 31
Other raw materials and operating charges (b)	4	5
Other administrative expenses (c)	1	-
Franchise fees and property taxes (d)	180	161
Finance expenses (e)	15	16

(a) Included within revenues are energy and water sales of \$5 million (2024 - \$4 million), provision of service including the wastewater and stormwater services of \$6 million (2024 - \$6 million), maintenance, repair and construction services of \$13 million (2024 - \$16 million) and customer billing services of \$6 million (2024 - \$5 million).

(b) Includes certain costs of waste management and planning services, public works and various other services pursuant to service agreements.

(c) Includes various services pursuant to service agreements.

(d) Includes franchise fees of \$98 million for electric distribution sales (2024 - \$84 million), franchise fees of \$47 million at 8% (2024 - \$46 million at 8%) of qualifying revenues of water, sanitary, and waste water services, and property taxes of \$35 million (2024 - \$31 million) on properties owned within the City municipal boundaries.

(e) Finance expenses on the long-term loans and borrowings obligation to the City at interest rates ranging from 3.43% to 5.36% (2024 - 3.43% to 5.36%).

# EPCOR UTILITIES INC.

Notes to the Consolidated Financial Statements  
(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Years ended December 31, 2025 and 2024

The following summarizes the Company's related party balances with the City:

	2025	2024
<b>Consolidated Statements of Financial Position</b>		
Trade and other receivables	\$ 21	\$ 42
Property, plant and equipment (f)	61	66
Trade and other payables	33	31
Loans and borrowings (note 17)	392	426
Deferred revenue (g)	76	64

(f) During the year, the City transferred contributed assets of \$51 million (2024 - \$38 million) for various Water Services projects to the Company. In addition, the City provided services of \$10 million (2024 - \$28 million) for capital construction for electric and water distribution infrastructure and sanitary and stormwater infrastructure.

(g) Includes contributed assets and contributions for capital projects during the years 2025 and 2024.

## 25. Financial instruments

### Classification

The classifications of the Company's financial instruments measured at fair value as at December 31, 2025 and 2024 are summarized as follows:

	Fair value hierarchy
Long-term investment in Vista Ridge	Level 3
Derivative financial instruments (note 26)	
Financial electricity purchase contracts (note 26)	Levels 2, 3
Cross-currency interest rate swap contracts	Level 2
Other liabilities	
Contingent consideration	Level 3

### Fair value

The carrying amounts of cash, trade and other receivables, current portion of other financial assets (excluding derivative financial instruments), trade and other payables, and current portion of other liabilities (excluding contingent consideration and derivative financial instruments) approximate their fair values due to the short-term nature of these financial instruments.

The carrying amounts and fair values of the Company's remaining financial assets and financial liabilities measured at amortized cost are as follows:

	Fair value hierarchy	2025		2024	
		Carrying amount	Fair value	Carrying amount	Fair value
Non-current portion of other financial assets <sup>1</sup>	Level 2	\$ 502	\$ 538	\$ 517	\$ 525
Loans and borrowings (note 17)	Level 2	5,284	4,979	5,104	4,906

1 Excluding long-term investments of \$10 million (2024 - \$10 million) and derivative financial instruments of \$11 million (2024 - \$12 million).

# EPCOR UTILITIES INC.

Notes to the Consolidated Financial Statements  
(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Years ended December 31, 2025 and 2024

## Long-term investments

Long-term investments includes the Company's 5% equity interest in Vista Ridge. Vista Ridge is a privately owned company; therefore, its equity instruments are not traded in an active market and the fair value of equity is not readily observable. Accordingly, the fair value of the long-term investment in Vista Ridge is determined based on unobservable inputs including the expected future cash flows from the investment discounted at a risk-adjusted discount rate.

## Derivative financial instruments – financial electricity purchase contracts

The Company has entered into fixed price contracts to manage its exposure related to electricity sold to customers. Under these contracts, the market price for electricity purchased by the Company to serve the load of its customers are swapped for a fixed price.

The fair values of the Company's Level 2 financial electricity purchase contracts are determined based on commonly used valuation techniques such as a discounted cash flow model and uses inputs such as quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active but observable, and other observable inputs that are principally derived or corroborated by observable market data for substantially the full term of the instrument.

The Company classifies financial instruments in Level 3 of the fair value hierarchy when there is reliance on at least one significant unobservable input to the valuation model used to determine fair value. In addition to these unobservable inputs, the valuation model for Level 3 instruments also relies on a number of inputs that are observable either directly or indirectly. Accordingly, the unrealized gains and (losses) shown below include changes in the fair value related to both observable and unobservable inputs.

The table below summarizes the changes in fair value of the Level 3 financial instruments:

	2025	2024
At January 1	\$ (5)	\$ -
Unrealized and realized gains (losses) included in net income <sup>1</sup>	2	(5)
At December 31	\$ (3)	\$ (5)

1 Recorded in energy purchases and system access fees.

2 Settlements in the period ended December 31, 2025 were \$75 million (2024 - \$nil).

The fair values of the Company's commodity derivatives included within Level 3 are determined by applying a mark-to-forecast model. The table below presents the Company's Level 3 inputs:

	2025	2024
Anticipated average monthly customer load input ranges of megawatt hours for the remainder of the contract term	128,341 to 193,613	135,221 to 231,529
Average risk-adjusted component of the forward price curves, in dollars	\$ 28	\$ 28

The table below presents the change to fair value of Level 3 derivatives instruments based on a change in the respective input:

	Change in respective input	2025	2024
Anticipated average monthly customer load input for the forecasted periods	+/- 10%	\$ -	\$ 1
Average risk-adjusted component of the forward price curves	+/- \$5 dollars	9	20

# EPCOR UTILITIES INC.

Notes to the Consolidated Financial Statements  
(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Years ended December 31, 2025 and 2024

## *Derivative financial instruments – Cross-currency interest rate swap contracts*

The fair value of the Company's cross currency interest rate swaps (CCIRS) contracts is determined as the present value of the estimated future cash flows using an appropriate interest rate yield curve and foreign exchange rate based on market conditions at the measurement date discounted at a market rate. Derivative instruments reflect the estimated amount that the Company would receive or pay to settle the CCIRS contracts at each measurement date.

## *Derivative financial instruments – Interest rate swap contracts*

The fair value of the Company's interest rate swap contracts is determined as the present value of the estimated future cash flows using an appropriate interest rate yield curve based on market conditions at the measurement date discounted at a market rate. The derivative instrument reflected the estimated amount that the Company would receive or pay to settle the interest rate swap contracts at the measurement date.

Within the consolidated statements of financial position, the derivative financial assets and liabilities are presented as follows:

	2025	2024
Current portion of other financial assets	\$ 3	\$ -
Other financial assets	11	12
Current portion of other liabilities	8	3
Other liabilities	5	2

## *Non-current portion of other financial assets*

The fair values of the Company's long-term receivables are based on the estimated interest rates implicit in comparable loan arrangements plus an estimated credit spread based on the counterparty risks at the measurement date. The fair value of finance lease receivables is based on the estimated current market rates for similar assets discounted at the prevailing interest rates for comparable investments plus an estimated credit spread based on counterparty risks at each measurement date.

## *Loans and borrowings*

The fair value of the Company's long-term senior unsecured debentures is based on the pricing sourced from market data at the measurement date. The fair value of the Company's remaining long-term loans and borrowings is based on determining a current yield for the Company's debt at each measurement date. This yield is based on an estimated credit spread for the Company over the yields of long-term Government of Canada bonds for Canadian dollar loans and U.S. Treasury bonds for U.S. dollar loans that have similar maturities to the Company's debt. The estimated credit spread is based on the Company's indicative spread as published by independent financial institutions.

Short-term loans and borrowings are measured at amortized cost and their carrying value approximate their fair value due to the short-term nature of these financial instruments.

## **26. Financial risk management**

### **Overview**

The Company is exposed to a number of different financial risks arising from business activities and its use of financial instruments, including market risk, credit risk, and liquidity risk. The Company's overall risk management process is designed to identify, assess, measure, manage, mitigate and report on business risk, which includes financial risk. Enterprise risk management is overseen by the Board of Directors and senior management is responsible for fulfilling objectives, targets, and policies approved by the Board of Directors. EPCOR's Corporate Controller and Director, Risk Management provides the Board of Directors with an enterprise risk assessment on a quarterly basis. Risk management strategies, policies and limits are designed to help ensure the risk exposures are managed within the Company's business objectives and risk tolerance. The Company's financial risk management objective is to protect and minimize volatility in earnings and cash flows.

# EPCOR UTILITIES INC.

Notes to the Consolidated Financial Statements  
(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Years ended December 31, 2025 and 2024

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Financial risk management, including foreign exchange risk, interest rate risk, liquidity risk and the associated credit risk, is carried out by the centralized Treasury function in accordance with applicable policies. The Audit Committee of the Board of Directors, in its oversight role, performs regular and ad-hoc reviews of risk management controls and procedures to help monitor compliance.

## **Market risk**

Market risk is the risk of loss that results from changes in market factors such as electricity prices, foreign currency exchange rates and interest rates. The level of market risk to which the Company is exposed at any point in time varies depending on market conditions, expectations of future price or market rate movements and the composition of the Company's financial assets and financial liabilities held, non-trading physical asset and contract portfolios, and trading portfolios. The Company's financial exposure management policy is approved by the Board of Directors and the associated procedures and practices are designed to manage the foreign exchange and interest rate risk throughout the Company.

To manage the exposure related to changes in market risk, the Company may use various risk management techniques including derivative financial instruments such as bond forwards, forward contracts, contracts-for-differences, cross currency swaps or interest rate swaps. Such instruments may be used for an anticipated transaction to establish a fixed price denominated in a foreign currency or to secure electricity price or to secure fixed interest rates.

The sensitivities provided in each of the following risk discussions disclose the effect of reasonable changes in relevant prices and rates on net income at the reporting date. The sensitivities are hypothetical and should not be considered to be predictive of future performance or indicative of earnings on these financial instruments. The Company's actual exposure to market risks is constantly changing as the Company's portfolio of debt, foreign currency and commodity contracts changes. Changes in fair values or cash flows based on market variable fluctuations cannot be extrapolated since the relationship between the change in the market variable and the change in fair value or cash flows may not be linear. In addition, the effect of a change in a particular market variable on fair values or cash flows is calculated without considering interrelationships between the various market rates or mitigating actions that would be taken by the Company.

## ***Electricity price and volume risk***

Effective January 1, 2025, the Company began selling electricity under Rate of Last Resort (RoLR) Regulations under the Utilities Affordability Statutes Amendment Act (the Act) introduced by the Government of Alberta during 2024. The RoLR replaced the previous RRO, and the Act is intended to provide stable default electricity rates by setting the rates for each regulated retailer once every two years with a 10% rate adjustment cap for the following two years. Electricity rates for the RoLR are fixed and the actual procurement cost to serve the RoLR customer electricity load is variable based on actual hourly spot pricing.

The Company is actively managing the commodity price and volume exposures for both RoLR and competitive rate customers through financial electricity purchase contracts on an ongoing basis by optimizing the Company's total electricity requirements utilizing various contracts. Refer to note 25 for further information regarding the Company's financial electricity purchase contracts with Level 3 inputs measured at fair value through profit or loss.

During the year ended December 31, 2025, the Company entered into fixed price financial electricity purchase contracts, a portion of which were designated as cash flow hedging instruments. The hedging instruments are used to manage the Company's commodity price risk related to the Company's load requirements for its RoLR customers (the hedged item). The Company performed effectiveness tests at inception and will continue to perform effectiveness tests at each measurement date to ensure that the changes in fair value of the hedging instruments and the hedged items were moving in opposite directions and offsetting each other. These contracts hedge a notional quantity of 2,587,560 megawatt hours and are expected to be realized in net income in 2027 and 2028.

During the year ended December 31, 2025, these cash flow hedges were 100% effective and the change in fair value of \$2 million (2024 - \$nil), was recorded as a pre-tax loss in other comprehensive income.

# EPCOR UTILITIES INC.

Notes to the Consolidated Financial Statements  
(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Years ended December 31, 2025 and 2024

## **Foreign exchange risk**

The Company is exposed to foreign exchange risk on foreign currency denominated future transactions and firm commitments, monetary assets and liabilities denominated in a foreign currency, and on its net investments in foreign subsidiaries.

The Company's financial exposure management policy attempts to minimize material exposures arising from movements in the Canadian dollar relative to the U.S. dollar or other foreign currencies. The Company's direct exposure to foreign exchange risk arises on commitments denominated in U.S. dollar or other currencies. The Company coordinates and manages foreign exchange risk centrally by identifying opportunities for naturally occurring opposite movements and then dealing with any material residual foreign exchange risks.

The Company may use foreign currency forward contracts or CCIRS contracts to fix the functional currency of its non-functional currency cash flows thereby reducing its anticipated foreign currency denominated transactional exposure. The Company looks to limit foreign currency exposures as a percentage of estimated future cash flows.

### *U.S. denominated debt - hedges of net investment in foreign operations*

The Company designates the majority of private debt notes denominated in U.S. dollars as foreign exchange hedges of net investment in foreign operations to partially mitigate the impacts of foreign exchange rate fluctuations arising from the retranslation of the net investment in foreign operations having functional currency of U.S. dollar into the Company's functional currency in the consolidated financial statements. Accordingly, from the date of designation, foreign exchange gains or losses on translation of the debts denominated in U.S. dollars are recorded in other comprehensive income, which minimizes volatility in earnings resulting from the foreign currency conversion. During the year ended December 31, 2025, the Company recorded a foreign exchange gain of \$17 million (2024 - loss of \$29 million) on private debt notes designated as hedges of net investment in foreign operations in other comprehensive income.

At December 31, 2025, holding all other variables constant, a 10% change in the U.S. dollar exchange rate would change the private debt balance by \$35 million (2024 - \$36 million).

### *Derivative financial instruments - hedges of a net investment in foreign operations*

The Company also uses the CCIRS contracts as hedges of a net investment in foreign operations to partially mitigate the impacts of foreign exchange rate fluctuations arising from the retranslation of the net investment in foreign operations into the Company's functional currency in the consolidated financial statements. At December 31, 2025, the Company performed an effectiveness test on the outstanding CCIRS contracts designated as hedges and determined that the hedges are effective and the hedging instrument and hedged item are moving in opposite directions.

The decrease in fair value of \$4 million of the effective portion of the hedges of net investment in foreign operations for the year ended December 31, 2025 (2024 - \$2 million) was recorded in other comprehensive income. The ineffective portion of these hedges recognized in net income within other administrative expenses was \$nil (2024 - \$nil).

The following table summarizes the Company's outstanding CCIRS contracts designated as hedges of net investment in foreign operations:

					2025	2024
Receive notional	Receive rate in \$	Pay notional	Pay rate in US\$	Maturity	Fair value	Fair value
\$ 62	3.471%	US\$ 50	3.221%	March 19, 2051	\$ 3	\$ 4
\$ 100	3.390%	US\$ 79	3.183%	September 15, 2051	5	8
					\$ 8	\$ 12

The counterparties to the CCIRS contracts are major financial institutions. The Company receives semi-annual interest in Canadian dollars and pays interest in US\$ at the aforementioned rates on the notional values. At maturity the Company will swap the original notional amounts at the same exchange rates.

# EPCOR UTILITIES INC.

Notes to the Consolidated Financial Statements  
(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Years ended December 31, 2025 and 2024

At December 31, 2025, holding all other variables constant, a 10% change in the U.S. dollar exchange rate would change the fair value of CCIRS contracts by \$15 million (2024 - \$16 million).

## **Interest rate risk**

The Company is exposed to changes in interest rates on its cash, and floating-rate short-term loans and obligations. The Company is also exposed to interest rate risk from the possibility that changes in the interest rates will affect future cash flows or the fair values of its financial instruments. Interest rate risk associated with short-term loans and borrowings is immaterial due to its short-term maturity. At December 31, 2025 and 2024, all long-term debt was fixed rate.

## **Derivative financial instruments – cash flow hedges**

The Company enters into bond forward and interest rate swap contracts (the hedging instruments) to manage its interest rate risk associated with movements in long-term Government of Canada bond rates and Canadian benchmark interest rates related to future planned long-term debt issuances (the hedged items). The Company performs effectiveness tests at inception and at each measurement date to ensure that the changes in fair value of the hedging instruments and the hedged items were moving in opposite directions and offsetting each other. These financial instruments are classified as cash flow hedges. At December 31, 2025, the Company had outstanding interest rate swap contracts with a notional value of \$nil (2024 - \$150 million).

During the year ended December 31, 2025, the Company settled the interest rate swap contracts and recorded a gain of \$nil representing the change in fair value of these cash flow hedges (2024 - bond forward contracts settled for a \$5 million gain recorded in OCI representing the effective portion, and \$1 million gain recorded as a reduction to finance expenses representing the ineffective portion).

## **Credit risk**

Credit risk is the possible financial loss associated with the inability of counterparties to satisfy their contractual obligations to the Company, including payment and performance. The Company's credit risk management policy is approved by the Board of Directors and the associated procedures and practices are designed to manage the credit risks associated with the various business activities throughout the Company. Credit and counterparty risk management procedures and practices generally include assessment of individual counterparty creditworthiness and establishment of exposure limits prior to entering into a transaction with the counterparty. Exposures and concentrations are subsequently monitored and are regularly reported to senior management. Creditworthiness continues to be evaluated after transactions have been initiated, at a minimum, on an annual basis.

To manage and mitigate credit risk, the Company employs various credit mitigation practices such as master netting agreements, pre-payment arrangements from customers, credit derivatives and other forms of credit enhancements including cash deposits, parent company guarantees and bank letters of credit.

## **Maximum credit risk exposure**

The Company's maximum credit exposure is represented by the carrying amount of the following financial assets:

	2025	2024
Cash <sup>1</sup>	\$ 83	\$ 62
Net accounts receivable <sup>1 &amp; 2</sup> (note 11)	554	625
Other financial assets <sup>3</sup> (note 12)	530	623
	\$ 1,167	\$ 1,310

At December 31, 2025, the Company held credit enhancements to mitigate credit risk in the form of letters of credit of \$21 million (2024 - \$29 million) and parental guarantees of \$1,226 million (2024 - \$1,283 million).

1 This table does not take into account collateral held. At December 31, 2025, the Company held cash deposits of \$27 million (2024 - \$27 million) as security for certain counterparty accounts receivable and derivative contracts. The Company is not permitted to sell or re-pledge this collateral in the absence of default of the counterparties providing the collateral.

2 The Company's maximum exposures related to trade and other receivables by major credit concentration is comprised

# EPCOR UTILITIES INC.

Notes to the Consolidated Financial Statements  
(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Years ended December 31, 2025 and 2024

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of \$369 million (2024 - \$387 million) related to rate-regulated customer balances.

3 Excluding long-term investments.

### *Credit quality and concentrations*

The Company is exposed to credit risk on outstanding trade receivables associated with its energy and water related activities, agreements with the AESO, on electricity supply agreements with wholesale and retail customers, and commercial activities such as construction and maintenance agreements. The Company is also exposed to credit risk from its cash, derivative financial instruments, finance lease receivables and long-term financing arrangements receivable.

The Company manages its credit risk on cash by investing in instruments issued by creditworthy financial institutions and in short-term instruments issued by the federal government.

The Company manages its credit risk on trade and other receivables by transacting with credit-worthy customers in accordance with the established credit approval policies and through collateral arrangements such as letters of credit, corporate guarantees and cash deposits. The Company manages its credit risk on derivative financial instruments, finance lease receivables and long-term financing arrangements receivables by dealing with credit-worthy counterparties and utilizing the credit risk mitigation practices noted above.

The credit quality of the Company's cash and other financial assets (excluding long-term investments and derivative financial assets) at December 31, 2025 and 2024, are investment grade or secured, based on the Company's internal criteria and analysis which take into account, among other factors, the investment grade ratings of external credit rating agencies when available.

During the year ended December 31, 2025, revenues from one major customer of the Company's NACS segment represented \$341 million (2024 - \$1,011 million) of the Company's total revenues. Refer to note 12 for the amounts recorded within trade and other receivables pertaining to this customer.

### *Trade and other receivables credit risk*

Rate-regulated customer trade receivables include energy sales and distribution and transmission services, water sales, collection and conveyance of sanitary and stormwater, treatment of wastewater, rate-regulated and default electricity supply receivables. Under the Electric Utilities Act (Alberta), the Company provides electricity supply in its service areas to residential, agricultural and small commercial customers at regulated rates and to those commercial and industrial customers who have not chosen a competitive offer and consume electricity under default supply arrangements.

Credit risk exposure for residential and commercial customers under regulated energy and water supply rates is generally limited to amounts due from customers for energy and water consumed, and collection and conveyance of sanitary and stormwater as well as treatment of wastewater services provided but not yet paid for. The Company mitigates credit risk from counterparties by performing credit checks and on higher risk customers, by taking pre-payments, cash deposits or letters of credit. The Company monitors credit risk for this portfolio at the gross exposure level.

Trade and other receivables also includes amounts due from retail customers including commercial customers, other retailers, government-owned or sponsored entities, regulated public utility distributors, and other counterparties. Commercial customer contracts provide performance assurances through letters of credit, irrevocable guarantees and bonds. For other retail customers, represented by a diversified customer base, credit losses are generally low and the Company provides for an allowance for lifetime ECL.

### *Expected credit loss allowance*

The Company calculates the ECL on accounts receivable using a provision matrix approach, which is based on the Company's historical credit loss experience and current economic conditions (including forward-looking information) for accounts receivables to estimate the ECL. The provision matrix specifies fixed provision rates depending on the number of days that a trade receivable is due or past due in each business unit. The total ECL allowance at December 31, 2025 was \$13 million (2024 - \$16 million).

# EPCOR UTILITIES INC.

Notes to the Consolidated Financial Statements  
(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Years ended December 31, 2025 and 2024

The gross amounts of trade receivables and corresponding ECL allowance are as follows:

	Gross accounts receivable	Expected credit loss allowance	Net accounts receivable
December 31, 2025			
Current <sup>1</sup>	\$ 522	\$ (3)	\$ 519
Outstanding 31 to 60 days	24	(1)	23
Outstanding 61 to 90 days	5	(1)	4
Outstanding more than 90 days	16	(8)	8
	\$ 567	\$ (13)	\$ 554
December 31, 2024			
Current <sup>1</sup>	\$ 579	\$ (4)	\$ 575
Outstanding 31 to 60 days	25	(1)	24
Outstanding 61 to 90 days	16	(1)	15
Outstanding more than 90 days	21	(10)	11
	\$ 641	\$ (16)	\$ 625

1 Current amount represents trade and other receivables outstanding up to 30 days. Amounts outstanding for more than 30 days are considered past due.

During the year, the Company recognized \$13 million (2024 - \$22 million) of ECL as an expense in net income relating to customer amounts that the Company determined may not be fully collectable. The ECL allowance is determined by each business unit considering the unique factors of the business unit's trade and other receivables. Write-offs are determined either by applying specific risk factors to customer groups' aged balances in trade and other receivables or by reviewing material accounts on a case-by-case basis. Reductions in trade and other receivables and the related ECL allowance is recorded when the Company has determined that recovery is not possible.

The changes in the ECL allowance are as follows:

	2025	2024
Balance, beginning of year	\$ (16)	\$ (15)
Additional allowances created	(13)	(22)
Net receivables written off	16	21
Balance, end of year	\$ (13)	\$ (16)

At December 31, 2025, the Company held \$18 million (2024 - \$17 million) of customer deposits for the purpose of mitigating the credit risk associated with trade and other receivables from residential and business customers.

## Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's liquidity is managed centrally by the Company's Treasury function. The Company manages liquidity risk through regular monitoring of cash and currency requirements by preparing short-term and long-term cash flow forecasts and by matching the maturity profiles of financial assets and financial liabilities to identify financing requirements. The financing requirements are addressed through a combination of committed and demand revolving credit facilities and financings in public or private debt capital markets.

In the normal course of business, the Company provides financial support and performance assurances including guarantees, letters of credit and surety bonds to third parties in respect of its subsidiaries. The Company has revolving extendible 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:

# EPCOR UTILITIES INC.

Notes to the Consolidated Financial Statements  
(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Years ended December 31, 2025 and 2024

<b>December 31, 2025</b>	Expiry	Total facilities	Banking commercial paper issued	Letters of credit and other facility draws	Net amounts available
<b>Committed</b>					
Syndicated bank credit facility <sup>1</sup>	November 2030	\$ 750			
Bank credit facility <sup>1</sup>	November 2028	200			
Bank credit facility <sup>1</sup>	November 2029	150			
<b>Total committed</b>		<b>\$ 1,100</b>	<b>\$ 133</b>	<b>\$ -</b>	<b>\$ 967</b>
<b>Uncommitted</b>					
Bank credit facilities <sup>2</sup>	No expiry	340	-	32	308
Bank credit facility	No expiry	25	-	-	25
<b>Total uncommitted</b>		<b>365</b>	<b>-</b>	<b>32</b>	<b>333</b>
		<b>\$ 1,465</b>	<b>\$ 133</b>	<b>\$ 32</b>	<b>\$ 1,300</b>

<b>December 31, 2024</b>	Expiry	Total facilities	Banking commercial paper issued	Letters of credit and other facility draws	Net amounts available
<b>Committed</b>					
Syndicated bank credit facility <sup>1</sup>	November 2029	\$ 750			
Bank credit facility <sup>1</sup>	November 2027	200			
Bank credit facility <sup>1</sup>	November 2028	150			
<b>Total committed</b>		<b>\$ 1,100</b>	<b>\$ 152</b>	<b>\$ -</b>	<b>\$ 948</b>
<b>Uncommitted</b>					
Bank credit facilities <sup>2</sup>	No expiry	340	-	93	247
Bank credit facility	No expiry	25	-	-	25
<b>Total uncommitted</b>		<b>365</b>	<b>-</b>	<b>93</b>	<b>272</b>
		<b>\$ 1,465</b>	<b>\$ 152</b>	<b>\$ 93</b>	<b>\$ 1,220</b>

1 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 December 31, 2025, commercial paper totalling \$133 million (2024 - \$152 million), and no letters of credit (2024 - no letters of credit) were issued and outstanding.

2 The Company's uncommitted bank credit facility consists of six bilateral credit facilities totalling \$340 million (2024 - six bilateral credit facilities totalling \$340 million) which are restricted to letters of credit. At December 31, 2025, letters of credit totalling \$32 million have been issued and outstanding (2024 - \$93 million) to meet the credit requirements of electricity market participants and to meet conditions of certain service agreements.

The undiscounted cash flow requirements and contractual maturities of the Company's financial liabilities, including interest payments at December 31, 2025, are as follows:

# EPCOR UTILITIES INC.

Notes to the Consolidated Financial Statements  
(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Years ended December 31, 2025 and 2024

	2026	2027	2028	2029	2030	2031 and thereafter	Total contractual cash flows
<b>Non-derivative financial liabilities:</b>							
Trade and other payables <sup>1</sup>	\$ 631	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 631
Loans and borrowings <sup>2</sup>	167	33	33	183	282	4,579	5,277
Interest payments on loans and borrowings	222	221	218	216	207	3,229	4,313
Other liabilities <sup>3</sup>	36	64	17	14	13	14	158
<b>Derivative financial liabilities:</b>							
Financial electricity purchase contracts <sup>4</sup>	56	6	-	-	-	-	62
	\$ 1,112	\$ 324	\$ 268	\$ 413	\$ 502	\$ 7,822	\$ 10,441

1 Excluding accrued interest on loans and borrowings of \$43 million.

2 Excluding debt issuance costs of (\$28) million and debt premium of \$35 million.

3 Including undiscounted liabilities for contingent consideration and lease liabilities.

4 Forecasted undiscounted cash flow requirements to settle financial electricity contracts reflecting December 31, 2025 inputs.

The Company's loans and borrowings are subject to various covenants (note 27). The Company is required to be in compliance with the covenants on an ongoing basis. A future breach of any of the covenants may require the Company to repay the loans and borrowings earlier than indicated in the above table.

The Company's undiscounted cash flow requirements and contractual maturities in the next 12 months of \$1,112 million are expected to be funded from operating cash flows, commercial paper issuance and the Company's credit facilities. In addition, the Company may issue medium-term notes or other instruments to fund its obligations or investments. The key factors in determining whether to issue medium-term notes are the cash requirements of the business, the expected interest rates for medium-term notes, the estimated demand by investors for EPCOR debt and the general state of debt capital markets.

## 27. Capital management

The Company's primary objectives when managing capital are to safeguard the Company's ability to continue as a going concern, pay dividends to its shareholder in accordance with the Company's dividend policy, maintain an investment grade credit rating, and to facilitate the acquisition or development of projects in Canada and the U.S. consistent with the Company's growth strategy. The Company manages its capital structure in a manner consistent with the risk characteristics of the underlying assets. This overall objective and policy for managing capital remained unchanged in the current year from the prior year.

The Company manages capital through regular monitoring of cash and currency requirements by preparing short-term and long-term cash flow forecasts and reviewing monthly financial results. The Company matches the maturity profiles of financial assets and financial liabilities to identify financing requirements to help ensure an adequate amount of liquidity.

The Company considers its capital structure to consist of long-term and short-term debt net of cash and shareholder's equity. The following table represents the Company's total capital:

	2025	2024
Loans and borrowings (note 17) <sup>1</sup>	\$ 5,277	\$ 5,095
Cash	(83)	(62)
Net debt	5,194	5,033
Total equity	5,102	4,845
Total capital	\$ 10,296	\$ 9,878

# EPCOR UTILITIES INC.

Notes to the Consolidated Financial Statements  
(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Years ended December 31, 2025 and 2024

- 1 Excluding debt issuance costs of (\$28) million (2024 - (\$28) million) and debt premium of \$35 million (2024 - \$37 million).

EPCOR's credit facilities and outstanding debt are subject to various covenants. The covenants are defined in accordance with the respective agreements and include:

- Maintenance of modified consolidated net tangible assets to consolidated net tangible assets ratio, as defined in the debt agreements, of not less than 80% (2024 - 80%);
- Maintenance of consolidated senior debt to consolidated capitalization ratio, as defined in the debt agreements, of not more than 75% (2024 - 75%);
- Maintenance of interest coverage ratio, as defined in the debt agreements of not less than 1.75 to 1.00 is not applicable as the Company has a debt rating of investment grade; and
- Limitation on secured debt and external debt issued by subsidiaries.

For the year ended December 31, 2025 and 2024, the Company complied with all externally imposed requirements on its capital, including financial covenants related to the credit facilities and outstanding debt. The Company expects to remain in compliance with the covenants for the next 12 months.

At December 31, 2025, the carrying amount of borrowings and credit facilities subject to these covenants was \$4,782 million (2024 - \$4,549 million).

## 28. Commitments, contingencies and guarantees

### Commitments

The following represents the Company's commitments at December 31, 2025, not otherwise disclosed in these consolidated financial statements:

	2026	2027	2028	2029	2030	2031 and thereafter	Total
U.S. Regulated Water purchase and transportation of water agreements <sup>1</sup>	\$ 16	\$ 3	\$ 3	\$ 3	\$ 3	\$ -	\$ 28
U.S. Regulated Water billing and customer care services agreements <sup>2</sup>	5	5	5	5	6	-	26
NACS commitments to Sandow Lakes Ranch <sup>3</sup>	17	17	18	19	19	564	654
NACS commitments to EPCOR 130 Project Inc pipeline expansion <sup>4</sup>	35	29	-	-	-	-	64
NACS commitments to Bruce Power <sup>5</sup>	22	6	-	-	-	-	28
Other	32	20	8	2	2	19	83
	\$ 127	\$ 80	\$ 34	\$ 29	\$ 30	\$ 583	\$ 883

1 The Company entered into a contract with the Central Arizona Water Conservation District for the purchase and transportation of water.

2 The Company entered into a contract for billing software and support services for its U.S. Regulated Water segment.

3 The Company entered into a subcontract with Sandow Lakes Ranch for utilization of their waste disposal facilities, and the reservation and supply of water to Samsung.

4 The Company entered into an agreement to expand the capacity of water supplied by EPCOR 130 Project Inc.

# EPCOR UTILITIES INC.

Notes to the Consolidated Financial Statements  
(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Years ended December 31, 2025 and 2024

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5 The Company entered into an agreement to design, build, and finance Bruce Power's potable water distribution assets.

## **Contingencies**

The Company and its subsidiaries are subject to various legal claims that arise in the normal course of business. The Company does not believe that an outflow of resources embodying economic benefits is probable and no provisions have been recognized.

## **Guarantees**

The Company in the normal course of business issues payment guarantees and performance assurance bonds on behalf of its subsidiaries to meet the conditions of the agreements with third parties. At December 31, 2025, guarantees totalling \$1,166 million (2024 - \$934 million) have been issued to various third parties.

## **29. Segment information**

The Company operates in the following reportable segments, which follow the organization, management and reporting structure within the Company.

### **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 near Edmonton.

### **Distribution and Transmission**

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

### **Energy Services**

Energy Services is primarily involved in the provision of the regulated and default supply electricity services to customers in Alberta in addition to the procurement of electricity required to serve the Company's customer load requirements. This segment also provides competitive electricity and natural gas products under the Encor brand.

### **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 within the Southwestern U.S.

### **NACS**

NACS 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 and natural gas distribution businesses in Canada.

### **Other**

Other primarily includes the cost of the Company's net unallocated corporate office expenses and does not meet the criteria of a reportable segment.

# EPCOR UTILITIES INC.

Notes to the Consolidated Financial Statements  
(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Years ended December 31, 2025 and 2024

Year ended December 31, 2025									
	Water Services	Distribution & Transmission	Energy Services	NACS	U.S. Regulated Water	Other	Intersegment Elimination	Consolidated	
External revenues	\$ 888	\$ 535	\$ 443	\$ 653	\$ 409	\$ 6	\$ -	\$	2,934
Inter-segment revenue	-	3	25	47	1	-	(76)		-
Revenues	888	538	468	700	410	6	(76)		2,934
Energy purchases and system access fees	-	-	263	57	-	-	-		320
Other raw materials and operating charges	94	23	-	378	90	-	(29)		556
Staff costs and employee benefits expenses	142	61	41	77	68	61	(19)		431
Depreciation and amortization	206	122	8	14	94	28	-		472
Franchise fees and property taxes	50	131	-	2	10	-	-		193
Other administrative expenses	40	12	41	14	29	16	(28)		124
Operating expenses	532	349	353	542	291	105	(76)		2,096
Operating income (loss) before corporate income (charges)	356	189	115	158	119	(99)	-		838
Corporate income (charges)	(43)	(25)	(18)	(10)	(9)	105	-		-
Operating income	313	164	97	148	110	6	-		838
Other income and gain (loss) on disposals	(13)	(2)	-	(3)	(11)	-	-		(29)
Finance (expenses) recoveries	(101)	(74)	(2)	(20)	(58)	43	-		(212)
Income tax expense	-	-	-	(26)	(12)	(26)	-		(64)
Net income	\$ 199	\$ 88	\$ 95	\$ 99	\$ 29	\$ 23	\$ -	\$	533
Capital expenditures	\$ 521	\$ 283	\$ 1	\$ 71	\$ 272	\$ 22	\$ -	\$	1,170

# EPCOR UTILITIES INC.

Notes to the Consolidated Financial Statements  
(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Years ended December 31, 2025 and 2024

Year ended December 31, 2024									
	Water Services	Distribution & Transmission	Energy Services	NACS	U.S. Regulated Water	Other	Intersegment Elimination	Consolidated	
External revenues	\$ 848	\$ 482	\$ 396	\$ 1,276	\$ 384	\$ 9	\$ -	\$ 3,395	
Inter-segment revenue	-	4	25	41	-	-	(70)	-	
Revenues	848	486	421	1,317	384	9	(70)	3,395	
Energy purchases and system access fees	-	-	268	55	-	-	-	323	
Other raw materials and operating charges	87	21	-	1,061	82	1	(27)	1,225	
Staff costs and employee benefits expenses	140	58	41	76	60	57	(17)	415	
Depreciation and amortization	195	116	8	15	83	28	-	445	
Franchise fees and property taxes	49	112	-	2	10	-	-	173	
Other administrative expenses	42	14	35	21	25	15	(26)	126	
Operating expenses	513	321	352	1,230	260	101	(70)	2,707	
Operating income (loss) before corporate income (charges)	335	165	69	87	124	(92)	-	688	
Corporate income (charges)	(42)	(23)	(18)	(11)	(9)	103	-	-	
Operating income	293	142	51	76	115	11	-	688	
Other income and gain (loss) on disposals	(7)	(1)	-	-	(12)	-	-	(20)	
Finance (expenses) recoveries	(98)	(69)	(3)	(28)	(56)	47	-	(207)	
Income tax expense	-	-	-	(8)	(9)	(17)	-	(34)	
Net income	\$ 188	\$ 72	\$ 48	\$ 40	\$ 38	\$ 41	\$ -	\$ 427	
Capital expenditures	\$ 462	\$ 287	\$ 2	\$ 50	\$ 203	\$ 15	\$ -	\$ 1,019	

# EPCOR UTILITIES INC.

Notes to the Consolidated Financial Statements  
(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Years ended December 31, 2025 and 2024

The Company's assets and liabilities by business segment at December 31, 2025 and 2024 are summarized as follows:

December 31, 2025									
	Water Services	Distribution & Transmission	Energy Services	NACS	U.S. Regulated Water	Other	Intersegment Elimination	Consolidated	
Total assets	\$ 9,220	\$ 3,471	\$ 292	\$ 1,113	\$ 2,775	\$ 6,345	\$ (6,205)	\$ 17,011	
Total liabilities	7,040	2,415	249	751	2,211	5,448	(6,205)	11,909	

December 31, 2024									
	Water Services	Distribution & Transmission	Energy Services	NACS	U.S. Regulated Water	Other	Intersegment Elimination	Consolidated	
Total assets	\$ 8,779	\$ 3,297	\$ 292	\$ 1,253	\$ 2,576	\$ 6,217	\$ (5,999)	\$ 16,415	
Total liabilities	6,752	2,314	238	996	2,001	5,268	(5,999)	11,570	

## Non-current assets by geography

	2025	2024
Canada	\$ 13,258	\$ 12,604
U.S.	3,033	2,957
	\$ 16,291	\$ 15,561

## Revenue from external customers by geography

	2025	2024
Canada	\$ 2,052	\$ 1,918
U.S.	882	1,477
	\$ 2,934	\$ 3,395