

EPCOR UTILITIES INC.

Management's Discussion and Analysis

For year ended December 31, 2025

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This management's discussion and analysis (MD&A), dated February 26, 2026 should be read in conjunction with the audited consolidated financial statements and Annual Information Form (AIF) of EPCOR Utilities Inc. for the years ended December 31, 2025 and 2024 including the related notes, and the cautionary statement regarding forward-looking information at the end of this MD&A. In this MD&A, any reference to "the Company", "EPCOR", "we" or "our", except where otherwise noted or the context otherwise indicates, means EPCOR Utilities Inc., together with its subsidiaries. Financial information in this MD&A is based on the audited consolidated financial statements, which were prepared in accordance with IFRS Accounting Standards (IFRS) as issued by International Accounting Standards Board (IASB) and is presented in Canadian dollars unless otherwise specified.

In accordance with its terms of reference, the Audit Committee of the Company's Board of Directors reviews the contents of the MD&A and recommends its approval by the Board of Directors. The Board of Directors approved this MD&A on February 26, 2026.

Overview of Business and Financial Results

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

Net income was \$147 million and \$533 million for the three months and year ended December 31, 2025, respectively, compared with net income of \$88 million and \$427 million for the comparative periods in 2024, respectively. The increase of \$59 million and \$106 million for the three months and year ended December 31, 2025, respectively, was primarily due to the Project Blue Sky transfer fee (see Significant Events section), higher Adjusted EBITDA (as described below), and transmission system access service charge net collections, partially offset by income tax expenses, depreciation and amortization, other income and gain (loss) on disposals, finance expenses and fair value adjustments related to financial electricity purchase contracts.

Adjusted EBITDA is a non-GAAP financial measure and is not a standardized financial measure under IFRS and might not be comparable to similar financial measures disclosed by other issuers. It is described in the Adjusted EBITDA and Net Income section on page 5 of this MD&A.

Adjusted EBITDA was \$297 million and \$1,219 million for the three months and year ended December 31, 2025, respectively, compared with \$287 million and \$1,147 million for the comparative periods in 2024, respectively. The increase of \$10 million and \$72 million for the three months and year ended December 31, 2025, respectively, was primarily due to higher rates, customer growth, regulated electricity margins and commercial activity. These were partially offset by lower construction activity and higher operating costs. In addition, for the year ended December 31, 2025, there was higher consumption per customer, partially offset by higher staff costs.

Strategic and Performance Priorities

EPCOR's vision is to be a premier essential services company that attracts and retains the best employees, is trusted by our customers and valued by our stakeholders, and EPCOR's mission is to provide clean water and safe, reliable energy. EPCOR's vision and mission are driven by EPCOR's purpose statement, "Communities count on us and we count on each other".

EPCOR's enterprise objectives include achieving valuation creation and growth for our shareholder, while controlling operating costs impacts on customers, meeting utility reliability and performance targets set by regulators and maintaining our investment grade credit rating to ensure continued access to capital to finance the Company's operations.

In order to achieve its objectives, EPCOR will focus on four strategic priorities over the next three years which reflect the challenges and opportunities expected in the external environment and within EPCOR's internal capabilities and capacity. The strategic priorities include: prudent investment in and operation of utility infrastructure; enhancing brand, reputation and relationships; growth and market development; and leveraging digital infrastructure and insights. These strategic priorities will be addressed through initiatives in the following focus areas: people, operational excellence, customer and community, and improving financial results.

EPCOR will build a skilled, adaptable and future-ready workforce by focusing on improving the skills, experience and career paths for functions which are critical to the Company meeting its strategic goals. EPCOR will drive towards operational excellence by focusing on strengthening its internal frameworks, systems, data and tools as well as its infrastructure management practices, and improving productivity of work performed. EPCOR will look to enhance customer and community perspectives by enriching its customer experience and key stakeholder relationships as well as focusing on increasing brand recognition and reputation in all markets we serve. Finally, EPCOR will focus on maximizing its financial performance by looking at ways to increase its financial capacity, developing new markets and improving efficiency in our existing business lines.

EPCOR's water strategy includes maintaining and developing regulated water transmission and distribution networks, water and wastewater treatment facilities and sanitary and stormwater systems within its current franchise service areas. EPCOR expects that significant capital investment will be required in its Edmonton franchise service area to address flood mitigation and other infrastructure needs related to its sanitary and stormwater systems, as well as investment in improving water and wastewater treatment plants to improve redundancy and reliability. EPCOR will also continue to pursue the development or acquisition of new rate-regulated and contracted water and wastewater assets and operations in existing and new markets throughout Canada and the U.S., which includes design, build, finance, operating and maintenance services for municipal water and wastewater treatment infrastructure, the provision of potable and process water for industrial customers and the development of contracted water transmission and distribution pipelines, as well as the acquisition of groundwater and other water rights to support its contracted water development plans.

EPCOR's electricity strategy includes maintaining and investing in distribution and transmission infrastructure in its Edmonton franchise service area and Ontario as well as the development or acquisition of new electrical rate-regulated and contracted assets and operations in new markets in Canada. EPCOR will continue to assess the impacts of climate change and resulting impacts of the transition from fossil fuel to cleaner energy including electricity. This may test the resiliency of the Company's infrastructure and may require investments to ensure that electricity systems are strengthened against impacts of climate change and can react to the climate change adaptation strategies of its stakeholders. EPCOR also expects significant capital investment will be required within its Edmonton franchise service area to address continued customer growth and population densification.

EPCOR focuses on providing excellent customer service to the residential and commercial customers in its retail energy businesses. EPCOR plans to invest in various customer service improvements to enhance the end-to-end customer experience. EPCOR will also manage commodity risk in its retail energy businesses through prudent commodity procurement practices.

We believe the long-term outlook for water, wastewater and electricity businesses remain strong across our target geographies. The demand for infrastructure and related services in Canada and the U.S. is expected to increase due to population growth, aging infrastructure and water scarcity issues. Further, consumer expectations are increasing for safe, high-quality water, reliable and environmentally responsible electricity and wastewater treatment and disposal.

EPCOR's enterprise risk management practices include a sustainability framework to ensure that the Company is managing risks to long-term performance and meeting the expectations of investors and other stakeholders. In May 2024, EPCOR published its 2023 Sustainability Report. The report started a new three-year cycle for EPCOR's sustainability strategy and included a second-generation Sustainability Scorecard with 20 measures and 15 targets, and information on how the Company addresses sustainability risks and opportunities. In May 2025, EPCOR released its 2024 Sustainability Performance Update Report which described progress on sustainability commitments and initiatives aligned with the focus areas in the 2023 Sustainability Report. The 2023 Sustainability Report and 2024 Sustainability Performance Update Report are available on the EPCOR website under Sustainability and Community at www.epcor.com.

Maintaining our investment grade credit rating remains a priority. This will ensure we have access to capital through existing and new credit facilities and private debt financing offerings. We also recognize that we are not immune to recessionary trends and remain vigilant to maintain a prudent level of total capital investment and balance of rate-regulated and contracted operations to stay within our financial capacity.

Operational and financial performance is monitored through non-financial as well as financial measures that fall under the following broad categories: health, safety and environment (HSE); operational efficiency; customer service; and net income.

Specific measures are established for each business unit and the corporate shared services group in alignment with the Company's strategy. Business unit and segment measures are focused on customer-related measures relevant to the particular business unit and segment, such as customer satisfaction survey results and service reliability metrics.

Significant Events

Appointment to the Board of Directors

Effective May 1, 2025, Valerie Berger and David Stanton were appointed to EPCOR's Board of Directors.

SiEnergy Operating (SiEnergy) Acquires EPCOR's Texas Natural Gas Utility (Texas Gas)

On June 2, 2025, 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 North American Commercial Services 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 divestiture of Texas Gas did not have a material impact on the operating income of the Company for the year ended December 31, 2025.

Samsung Austin Semiconductor, LLC (Samsung) Projects

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 Project Agreement. On October 31, 2025 closing conditions of the Transfer Agreement were met and in exchange for a fee of US\$63 million (transfer fee), 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 operate and maintain the assets for the 30-year period under the terms of the Project Agreement. 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.

Dividend Increase

The EPCOR dividend to its sole shareholder, the City of Edmonton (the City), is being increased from \$201 million in 2025 to \$206 million in 2026.

Material Accounting Policies Information

The audited consolidated financial statements for the years ended December 31, 2025 and 2024 have been prepared in accordance with IFRS. The Company adopted amendments to various accounting standards effective January 1, 2025, which did not have a material impact on its consolidated financial statements. Management used judgement to determine that information is material if, when considered with other information included in its financial statements, it could influence decisions users make on the basis of financial information.

Consolidated Financial Information

(Unaudited, \$ millions)				
Year ended December 31,	2025	2024	2023	
Revenues	\$ 2,934	\$ 3,395	\$ 4,377	
Adjusted EBITDA	1,219	1,147	1,061	
Net income	533	427	361	
Capital expenditures	1,170	1,019	988	
Total assets	17,011	16,415	15,419	
Loans and borrowings (non-current)	5,117	4,919	4,456	
Other liabilities (non-current)	122	131	135	
Common share dividends	201	193	185	

Revenues

(Unaudited, \$ millions)	Three months ended December 31,		Year ended December 31,	
	2025	2024	2025	2024
Water Services segment	\$ 219	\$ 213	\$ 888	\$ 848
Distribution and Transmission segment	139	126	538	486
Energy Services segment	124	98	468	421
North American Commercial Services segment	188	259	700	1,317
U.S. Regulated Water segment	99	117	410	384
Other	2	2	6	9
Intersegment eliminations	(22)	(19)	(76)	(70)
Revenues	\$ 749	\$ 796	\$ 2,934	\$ 3,395

Consolidated revenues were lower by \$47 million and \$461 million for the three months and year ended December 31, 2025, respectively, compared with the corresponding periods in 2024, primarily due to the net impact of the following:

- Water Services segment revenues increased by \$6 million and \$40 million for the three months and year ended December 31, 2025, respectively, compared with the corresponding periods in 2024, primarily due to higher rates and customer growth. For the year ended December 31, 2025, the increase was further impacted by higher consumption per customer.
- Distribution and Transmission segment revenues increased by \$13 million and \$52 million for the three months and year ended December 31, 2025, respectively, compared with the corresponding periods in 2024 primarily due to higher transmission system access service charge net collections, distribution and transmission rates and distribution volumes.
- Energy Services segment revenues increased by \$26 million and \$47 million for the three months and year ended December 31, 2025, respectively, compared with the corresponding periods in 2024, primarily due to higher electricity rates and increased competitive retail sites, partially offset by fewer regulated customer sites.
- North American Commercial Services segment revenues decreased by \$71 million and \$617 million for the three months and year ended December 31, 2025, respectively, compared with the corresponding periods in 2024, primarily due to lower Samsung construction revenues for Projects Blue Sky and Sandow and lower commercial revenue related to groundwater reservation fees, partially offset by the Project Blue Sky transfer fee (See Significant Events section), higher Project Sandow operation and maintenance revenues as construction reached substantial completion in October 2024 and commencement of finance lease revenues as final commissioning was achieved in September 2025. Additionally, the North American Commercial Services segment increase in revenues for the year ended December 31, 2025, was further impacted by foreign exchange.

- U.S. Regulated Water segment revenues decreased by \$18 million for the three months ended December 31, 2025, compared with the corresponding period in 2024, primarily due to lower deferred revenue recognized and, lower consumption per customer driven by weather conditions, partially offset by higher rates, customer growth, and foreign exchange. U.S. Regulated Water segment revenues increased by \$26 million for the year ended December 31, 2025, primarily due to higher rates, customer growth, consumption per customer and foreign exchange, partially offset by lower deferred revenue recognized.

Adjusted EBITDA and Net Income

We use earnings before the Project Blue Sky transfer fee (See Significant Events section), other income and gain (loss) on disposals, finance expenses, income tax recovery (expense), depreciation and amortization, changes in the fair value of derivative financial instruments, transmission system access service charge net collections, and other unusual items (collectively, Adjusted EBITDA) to discuss operating results for the Company's lines of business.

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

Commencing with the Company's December 31, 2025 quarter-end, the Company refined its Adjusted EBITDA to better reflect the purpose of the measure to exclude the Blue Sky transfer fee that is not reflective of recurring long-term performance of the Company's underlying business. The 2024 comparative Adjusted EBITDA figure has been restated for this change to adjust \$4 million in Project Blue Sky transfer fee.

We believe that Adjusted EBITDA provides an indicator of the Company's ongoing ability to fund capital expenditures, to incur and service debt and to pay dividends to its shareholder, and may be useful for external stakeholders in evaluating the operations and performance of the Company. Adjusted EBITDA is a non-GAAP financial measure and is not a standardized financial measure under IFRS and might not be comparable to similar financial measures disclosed by other issuers.

(Unaudited, \$ millions)	Three months ended		Year ended	
	December 31,		December 31,	
	2025	2024	2025	2024
Adjusted EBITDA by Segment				
Water Services segment	\$ 123	\$ 114	\$ 519	\$ 488
Distribution and Transmission segment	72	66	282	283
Energy Services segment	26	13	105	54
North American Commercial Services segment ¹	24	18	75	85
U.S. Regulated Water segment	45	61	204	198
Other	7	15	34	39
Adjusted EBITDA	297	287	1,219	1,147
Project Blue Sky transfer fee ²	84	4	84	4
Other income and gain (loss) on disposals	(30)	(23)	(29)	(20)
Finance expenses	(55)	(54)	(212)	(207)
Income tax expense	(29)	(8)	(64)	(34)
Depreciation and amortization	(120)	(115)	(472)	(445)
Change in fair value of financial electricity purchase contracts	(3)	(1)	-	5
Transmission system access service charge net collections	3	(2)	7	(23)
Net income	\$ 147	\$ 88	\$ 533	\$ 427

1. North American Commercial Services segment comparative Adjusted EBITDA figures have been restated to reflect refinements to the Adjusted EBITDA metric.
2. The transfer fee is presented within revenues in the North American Commercial Services segment and consolidated financial statements; however, it has been excluded from Adjusted EBITDA as it is not reflective of recurring long-term performance. See page 11 of this MD&A for reconciliation to Adjusted EBITDA for North American Commercial Services segment.

Changes in each business segment's Adjusted EBITDA, compared with the corresponding periods in 2024, are described in Segment Results below. Explanations of the remaining variances in net income for the three months and year ended December 31, 2025, compared with the corresponding periods in 2024, are as follows:

- Project Blue Sky transfer fee, 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. (See Significant Events section).
- Other income and gain (loss) on disposals was \$7 million and \$9 million lower for the three months and year ended December 31, 2025, respectively, primarily due to the write-down of certain land assets to reflect market value, partially offset by insurance recoveries on U.S. Regulated Water's Wishing Well plant that experienced damage in the second quarter of 2025 due to a significant weather event that caused widespread flooding. Other income and gain (loss) for the year ended December 31, 2025 was further impacted by the loss on divestiture of Texas Gas (see Significant Events section).
- Higher finance expense of \$1 million and \$5 million for the three months and year ended December 31, 2025, respectively, was primarily due to interest expense on long-term debt issued in the fourth quarter of 2025 and the second and fourth quarter of 2024, partially offset by lower short term interest expense due to lower cash requirements.
- Higher income tax expense of \$21 million and \$30 million for the three months and year ended December 31, 2025, respectively, was primarily due to higher income subject to tax in both Canada and the U.S.
- Higher depreciation and amortization of \$5 million and \$27 million for the three months and year ended December 31, 2025, respectively, was primarily due to additional assets placed in service.
- During the three months ended December 31, 2025 and 2024, the unrealized losses of \$3 million and \$1 million,

respectively, was primarily due to forward prices being lower than contracted prices, partially offset by the reversal of unrealized losses settled. During the year ended December 31, 2025, there was no net unrealized gains or losses primarily due to electricity forward prices being higher than contracted prices, offset by reversal of prior period unrealized gain that settled in the period. During the year ended December 31, 2024, the unrealized gain of \$5 million was primarily due to the reversal of prior period unrealized losses that settled in 2024, partially offset by forward prices being lower than contracted prices.

- Higher transmission system access service charge net collections of \$5 million and \$30 million for the three months and year ended December 31, 2025, respectively.

Segment Results

Water Services

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

Water Services' primary objective is to reliably supply drinking water and industrial process water, to collect and treat wastewater and to collect and convey stormwater while ensuring that the quality meets or exceeds public health, environmental and industrial requirements. The majority of Water Services' income is earned through Performance Based Regulation (PBR) rates charged to its Edmonton customers. The PBR rates are intended to allow Water Services the opportunity to recover its costs and earn a fair rate of return on invested capital while providing an incentive to manage costs below inflation and other prescribed adjustments built into the rates. Under the PBR framework, customer rates are adjusted for inflation and expected efficiency improvements over the PBR term. Separate bylaws have been approved under the PBR framework for the provision of Water Services and Wastewater Services.

Bylaw 19626 related to Water Services was approved for the five-year period effective from April 1, 2022 to March 31, 2027, and includes an allowed return on equity (ROE) of 9.64%. The approval also includes a consumption deferral account that is accumulating over the PBR term. The consumption deferral account is based on the difference between actual and forecast consumption, with a refund to or collection from customers in the subsequent PBR term. An amendment to the bylaw was approved in September 2025 to extend the term to December 31, 2027 to align with the Wastewater Services Bylaw. Rates for the extension period will be set using the same factors as originally approved in the bylaw.

Bylaw 20865 related to Wastewater Services for the period from April 1, 2025 to December 31, 2027 was approved on February 4, 2025 and includes an allowed ROE of 10.50%. The allowed ROE for the provision of sanitary wastewater and stormwater collection and conveyance services (previously called Drainage) escalates over the PBR term and will be 9.0% in 2025, 9.9% in 2026 and 10.5% in 2027. Additionally, a refund of the consumption deferral account that accumulated over the April 1, 2022 to March 31, 2025 PBR term has been factored into customer rates in the April 1, 2025 to December 31, 2027 PBR term. Bylaw 20865 does not include a consumption deferral account.

Operationally, the facilities owned or managed by Water Services generally performed according to plan in 2025. EPCOR maintained the required quality of Edmonton's drinking water and wastewater discharge throughout the year, while supporting higher than anticipated water consumption resulting from the impact of lower than expected precipitation and higher temperatures in 2025.

In 2025, the Company invested in sustaining and lifecycle projects including relocation of utility infrastructure, odour and flood mitigation projects and advanced metering infrastructure.

Water Services Operating Income and Adjusted EBITDA

(Unaudited, \$ millions, including intersegment transactions)	Three months ended		Year ended	
	December 31,		December 31,	
	2025	2024	2025	2024
Revenues	\$ 219	\$ 213	\$ 888	\$ 848
Expenses	147	147	575	555
Operating income	72	66	313	293
Exclude depreciation and amortization	51	48	206	195
Adjusted EBITDA	\$ 123	\$ 114	\$ 519	\$ 488

Water Services' Adjusted EBITDA increased by \$9 million and \$31 million for the three months and year ended December 31, 2025, respectively, compared with the corresponding periods in 2024, primarily due to higher rates and customer growth, partially offset by higher operating costs. Additionally, Adjusted EBITDA for the year ended December 31, 2025 is further impacted by higher consumption per customer.

Distribution and Transmission

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

Distribution and Transmission's priority is to be a trusted provider of safe and reliable electricity, known for operational excellence through innovative and practical solutions. Distribution and Transmission earns income principally by transmitting high-voltage electricity through its facilities that form part of the Alberta Interconnected Electrical System to points of distribution, and from there, distributing lower voltage electricity to end-use customers. The transmission services are provided solely to the Alberta Electric System Operator (AESO). The distribution services are provided to retailers within Distribution and Transmission's distribution service area in Edmonton. Distribution and Transmission's assets are located in and around Edmonton and are rate regulated by the Alberta Utilities Commission (AUC). Transmission charges a regulated rate tariff intended to allow recovery of prudent costs and earn a fair rate of return on invested capital. Distribution earns income through a PBR tariff charged to its customers. The PBR tariff is intended to allow Distribution the opportunity to recover its costs and earn a fair return on capital while providing an incentive to manage costs below inflation and other prescribed adjustments built into the tariff.

EPCOR received a decision in October 2023 that approved the continuation of a PBR, similar to the framework in the previous plan for the years 2024 to 2028 with some modifications to include an earnings sharing mechanism, increased capital funding provisions and adjustments to the productivity and inflation factor calculations. Additionally, the AUC removed the Efficiency Carry-Over Mechanism that was present in the previous two PBR plans. EPCOR received the final approval of its 2025 annual PBR rate in December 2024.

EPCOR has the exclusive right to provide electricity distribution services in Edmonton under a 20-year franchise agreement between Distribution and Transmission and the City. A new franchise agreement was approved by City Council and the AUC, and came into effect on March 17, 2025. The new agreement has a 10-year term with options to renew for two more terms of five years each. In July 2025, EPCOR filed a 2026-2027 Transmission General Tariff Application with the AUC which resulted in an approved negotiated settlement agreement. The two remaining issues relate to deferral account treatment for a significant information technology project replacing EPCOR's enterprise level systems and capital treatment for cloud computing and will be determined by the AUC on or before April 5, 2026.

In October 2023, EPCOR received a decision on the 2024 Generic Cost of Capital that established a formula-based approach to setting parameters for the next five years. The capital structure remained at the previously approved 37% equity and 63% debt, while the return on equity percentage is to be calculated annually based upon a 9% base rate adjusted by changes in future bond yields. The resulting return on equity for 2025 was 8.97%. For the 2026 fiscal year, the AUC approved return on equity will be 9.02%.

In October 2021, the AUC revised the regulatory accounting treatment requiring AESO directed customer contributions made by the distribution facility owners to expense the contributions for regulatory purposes in the year they are incurred, rather than include them in the rate base. EPCOR was granted permission to appeal this decision by the Court of Appeal of Alberta who determined that the AUC breached its duty of fairness to parties by

not providing notice that it intended to consider disallowing utilities a fair return. While the decision is pending a second appeal, the Company continues to include contribution-related expenses in its deferral account as incurred.

Work on several significant capital projects proceeded in 2025. These projects include planning new transmission power lines and a new substation to replace aging infrastructure and meet an increased demand for power in northeast Edmonton, life cycle replacements of transmission power transformers, ongoing work to connect new residential and industrial customers to EPCOR's distribution system, the annual Distribution pole and cable life cycle replacement programs to maintain the system reliability, replacing damaged underground and aerial assets, continuation of work on distribution aerial and underground line reconfigurations, and providing development rebates to land developers who construct underground primary and secondary distribution infrastructure for new residential lot developments within the City.

Distribution and Transmission Operating Income and Adjusted EBITDA

(Unaudited, \$ millions, including intersegment transactions)	Three months ended		Year ended	
	December 31,		December 31,	
	2025	2024	2025	2024
Revenues	\$ 139	\$ 126	\$ 538	\$ 486
Expenses	96	93	374	344
Operating income	43	33	164	142
Exclude depreciation and amortization	31	30	122	116
Exclude transmission system access service charge net collections	(2)	3	(4)	25
Adjusted EBITDA	\$ 72	\$ 66	\$ 282	\$ 283

Distribution and Transmission's Adjusted EBITDA increased by \$6 million for the three months ended December 31, 2025, compared with the corresponding period in 2024, primarily due to higher distribution and transmission rates, higher distribution volumes and lower staff costs, partially offset by higher property taxes.

Distribution and Transmission's Adjusted EBITDA decreased by \$1 million for the year ended December 31, 2025, compared with the corresponding period in 2024, primarily due to higher property taxes and staff costs, partially offset by higher distribution and transmission rates and higher distribution volumes.

Energy Services

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

Applications for 2025 Non-Energy interim rates were filed with and approved by the AUC in 2024 and 2025, with interim rates effective from January 1, 2025, and revised interim rates effective from November 1, 2025, respectively. In July 2025, the Company filed the 2025-2027 Non-Energy Rate Application with the AUC. Subsequently, a Negotiated Settlement Agreement was agreed with the intervenors. The two remaining issues, deferral account treatment for a significant information technology project replacing EPCOR's enterprise level systems and capital treatment for cloud computing, will be determined by the AUC on or before April 5, 2026, approving the final non-energy rates for 2025-2027.

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 Regulated Rate Option (RRO), and the Act is intended to provide stable electricity rates by setting the rates for each regulated retailer once every two years with a rate adjustment cap of plus or minus 10% for the following two years. Electricity rates for the RoLR are fixed and the actual procurement cost to serve the RoLR customer electricity load are variable based on actual hourly spot pricing.

Financial and physical energy purchase contracts are used to manage the Company's exposure related to customer load and fluctuating wholesale electricity and natural gas spot prices.

Energy Services Operating Income and Adjusted EBITDA

(Unaudited, \$ millions, including intersegment transactions)	Three months ended		Year ended	
	December 31,		December 31,	
	2025	2024	2025	2024
Revenues	\$ 124	\$ 98	\$ 468	\$ 421
Expenses	103	88	371	370
Operating income	21	10	97	51
Exclude depreciation and amortization	2	2	8	8
Exclude change in fair value of financial electricity purchase contracts	3	1	-	(5)
Adjusted EBITDA	\$ 26	\$ 13	\$ 105	\$ 54

Energy Services' Adjusted EBITDA increased by \$13 million and \$51 million for the three months and year ended December 31, 2025, respectively, compared with the corresponding periods in 2024, primarily due to higher regulated electricity margins.

North American Commercial Services

North American Commercial Services includes business development activities and 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 also provides EPCOR affiliates with professional services, engineering design, project management, dispatch services, and fleet services.

In Canada, EPCOR operates and maintains water and wastewater facilities under contracts with various municipal and industrial customers in Alberta, British Columbia, Saskatchewan and Ontario. The most significant of these contracts are with the City of Regina and Ontario Power Generation. EPCOR operates the wastewater treatment plant located in Regina under a 30-year agreement that includes upgrades to the existing plant completed in prior years, operating the plant and partial financing of the completed upgrades. Under a design, build, own, operate, maintain and transfer agreement with Ontario Power Generation, EPCOR substantially completed construction in 2024 of a demineralized water treatment plant at the Darlington Nuclear Generating Station and commenced the 30-year operation and maintenance period. North American Commercial Services also owns and operates the French Creek water utility on Vancouver Island and the water and wastewater utility which provides services to residential and commercial developments for the master-planned community of Harmony near Calgary, Alberta.

EPCOR Natural Gas Limited Partnership owns and operates the Aylmer and Southern Bruce natural gas distribution systems in southwestern Ontario. EPCOR Electricity Distribution Ontario Inc. provides electrical distribution services in Ontario to four communities in the Collingwood area. Customer rates for these natural gas and electrical utilities are regulated by the Ontario Energy Board.

EPCOR maintains electrical transmission and substation infrastructure along the Trans Mountain pipeline expansion project under a 20-year design, build, own, maintain and transfer agreement with Trans Mountain Pipeline L.P. As well, EPCOR owns a 45% interest in Shulus Electricity Transmission Line Limited Partnership (Shulus), which owns a transmission line in the Nicola Valley near Merrit, British Columbia that is part of the Trans Mountain expansion project, and the Company operates and maintains the infrastructure pursuant to an operations and maintenance agreement with Shulus.

In the U.S., EPCOR provides non-regulated water services in Texas, including the EPCOR 130 Pipeline, which supplies three municipal customers near Austin, Texas under long-term contracts. In 2025, EPCOR entered into a new water supply agreement with Aqua Water Supply Corporation and increased contracted volumes with an existing customer. System production and pumping capacity were expanded in 2025 to meet existing commitments, and construction is underway to support the newly contracted volumes. EPCOR also operates and maintains the Vista Ridge Pipeline Project, a wholesale water supply pipeline that delivers groundwater to the community of San Antonio. EPCOR owns a 5% minority interest in Vista Ridge LLC. While these wholesale water contracts are technically subject to Texas Public Utilities Commission appellate review, they are considered to be effectively unregulated.

The Company signed Project Agreements in prior years with Samsung to design, build, own, operate, maintain and

transfer project assets to Samsung at the expiry of the full operation and maintenance term, or in certain instances of early termination. Final commissioning of Project Sandow, a groundwater supply system to provide water to Samsung's new semiconductor fabrication facility in Taylor, Texas, was achieved in September 2025, commencing a 30-year operations and maintenance period. On October 31, 2025, the Company transferred the Project Blue Sky assets to Samsung pursuant to the terms of the Transfer Agreement (see Significant Events section).

On June 2, 2025, SiEnergy, acquired EPCOR Texas Gas from the Company (see Significant Events section).

North American Commercial Services Operating Income and Adjusted EBITDA

(Unaudited, \$ millions, including intersegment transactions)	Three months ended		Year ended	
	December 31,		December 31,	
	2025	2024 ¹	2025	2024 ¹
Revenues	\$ 188	\$ 259	\$ 700	\$ 1,317
Expenses	82	240	552	1,241
Operating income	106	19	148	76
Exclude Project Blue Sky transfer fee ²	(84)	(4)	(84)	(4)
Exclude depreciation and amortization	3	4	14	15
Exclude transmission system access service charge net collections	(1)	(1)	(3)	(2)
Adjusted EBITDA	\$ 24	\$ 18	\$ 75	\$ 85

1. Comparative Adjusted EBITDA figures have been restated to reflect refinements to the Adjusted EBITDA metric.

2. The Project Blue Sky transfer fee (see Significant Events) is included within revenues in the consolidated financial statements for the years ended December 31, 2025 and 2024.

North American Commercial Services' Adjusted EBITDA increased by \$6 million for the three months ended December 31, 2025, compared with the corresponding period in 2024, primarily due to higher operation and maintenance margins and finance lease income, partially offset by lower construction activity and commercial activity related to groundwater reservation fees.

North American Commercial Services' Adjusted EBITDA decreased by \$10 million for the year ended December 31, 2025, compared with the corresponding period in 2024, primarily due to lower Samsung construction activity and commercial activity related to groundwater reservation fees, partially offset by higher operation and maintenance margins and finance lease income.

U.S. Regulated Water

U.S. Regulated Water is primarily involved in the treatment, transmission, distribution and sale of water, the collection and treatment of wastewater, and construction of related facilities in Arizona and New Mexico. In Arizona and New Mexico, EPCOR owns operations in eight water utility districts, each containing one or more water treatment and or distribution facilities, and three wastewater utility districts, each containing one or more wastewater treatment and or collection facilities.

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

In April 2024, the ACC consolidated all of the Company's Arizona wastewater districts (except San Tan) into a new Sonoran Wastewater District. The ACC also approved rate increases for the new district and the Company's Rio Verde Water District. In June 2024, the Company filed a rate case for the San Tan Water and Wastewater districts, and received a favourable ACC decision in July 2025, with new rates effective August 1, 2025.

Work on several significant capital projects progressed satisfactorily in 2025. These projects include relocating a wastewater plant severely affected by the flash floods that occurred earlier in the year as well as establishing a secure and sustainable water solution for residents who rely on hauled water in a community east of metropolitan Phoenix.

U.S. Regulated Water Operating Income and Adjusted EBITDA

(Unaudited, \$ millions, including intersegment transactions)	Three months ended		Year ended	
	December 31,		December 31,	
	2025	2024	2025	2024
Revenues	\$ 99	\$ 117	\$ 410	\$ 384
Expenses	80	79	300	269
Operating income	19	38	110	115
Exclude depreciation and amortization	26	23	94	83
Adjusted EBITDA	\$ 45	\$ 61	\$ 204	\$ 198

U.S. Regulated Water Adjusted EBITDA decreased by \$16 million for the three months ended December 31, 2025, compared with the corresponding period in 2024, primarily due to decreased deferred revenue recognized and lower consumption per customer partially offset by higher rates and customer growth.

U.S. Regulated Water Adjusted EBITDA increased by \$6 million for the year ended December 31, 2025, compared with the corresponding period in 2024, primarily due to higher rates, consumption per customer and customer growth, partially offset by decreased deferred revenue recognized and higher staff costs.

Capital Expenditures

(Unaudited, \$ millions)			
Year ended December 31,	2025	2024	2023
Water Services segment	\$ 521	\$ 462	\$ 444
Distribution and Transmission segment	283	287	320
Energy Services segment	1	2	1
U.S. Regulated Water segment	272	203	179
North American Commercial Services	71	50	26
Other	22	15	18
Total capital expenditures	\$ 1,170	\$ 1,019	\$ 988

We continued to invest in our infrastructure assets to maintain system reliability and support increasing demands for treated water, sanitary and stormwater collection, wastewater treatment, electricity, and natural gas, resulting in higher capital expenditures of \$151 million for the year ended December 31, 2025, compared with 2024. The increase is primarily due to higher spending in the Company's Water Services segment due to life cycle replacements in wastewater collection and treatment, as well as flood protection and dry pond projects driven by community growth and to improve resiliency. Additional increases were driven by the U.S. Regulated Water segment to rebuild the Wishing Well plant in Fort Mohave, Arizona after experiencing damage in the second quarter of 2025 due to a significant weather event that caused widespread flooding throughout the community and various lifecycle replacement projects as well as higher spending in the North American Commercial Services segment for continued construction on the EPCOR 130 expansion project.

Consolidated Statements of Financial Position – Assets

(Unaudited, \$ millions)	December 31		Increase (decrease)	Business divestiture ¹	Other	Explanation of primary changes
	2025	2024				
Cash	\$ 83	\$ 62	\$ 21	\$ -	\$ 21	Refer to Liquidity and Capital Resources - Consolidated Statements of Cash Flows section.
Trade and other receivables	586	668	(82)	(1)	(81)	Decrease due to less construction activity and timing of energy receivables.
Inventories	34	30	4	(1)	5	Increase due to timing of purchases.
Other financial assets	540	633	(93)	-	(93)	Decrease primarily due to lower construction activity.
Deferred tax assets	43	66	(23)	-	(23)	Decreases in non-capital loss carry forward balances resulting from higher income subject to tax in Canada.
Property, plant and equipment	15,204	14,408	796	(85)	881	Capital expenditures, partially offset by depreciation expense and foreign currency valuation adjustments.
Intangible assets and goodwill	521	548	(27)	-	(27)	Amortization expense and foreign currency valuation adjustments, partially offset by capital expenditures.
Total Assets	\$ 17,011	\$ 16,415	\$ 596	\$ (87)	\$ 683	

^{1.} Impact of divestiture of Texas Gas (see Significant Events).

Consolidated Statements of Financial Position – Liabilities and Equity

(Unaudited, \$ millions)	December 31		Increase (decrease)	Business divestiture ¹	Other	Explanation of primary changes
	2025	2024				
Trade and other payables	\$ 674	\$ 724	\$ (50)	\$ 7	\$ (57)	Decrease due to lower construction activity, partially offset by higher operating accruals and energy procurement costs.
Loans and borrowings	5,284	5,104	180	-	180	Net issuances of long-term partially offset by repayments and foreign currency valuation on U.S. debt.
Deferred revenue	5,492	5,258	234	-	234	Cash and asset contributions received and foreign currency adjustments, partially offset by deferred revenue recognized.
Provisions	200	197	3	-	3	Immaterial.
Other liabilities	163	183	(20)	-	(20)	Repayments of funding received under the RRO Stability Act and payments of lease liabilities.
Deferred tax liabilities	96	104	(8)	(8)	-	Immaterial.
Equity	5,102	4,845	257	-	257	Comprehensive income less dividends.
Total Liabilities and Equity	\$ 17,011	\$ 16,415	596	\$ (1)	\$ 597	

¹ Impact of divestiture of Texas Gas (see Significant Events).

Consolidated Statements of Cash Flows

(Unaudited, \$ millions)

Cash inflows (outflows)

Three months ended December 31,	2025	2024	Increase (decrease)	Explanation of primary changes
Operating	\$ 315	\$ 264	\$ 51	Higher Adjusted EBITDA (as described above) and Blue Sky transfer fee, partially offset by higher income taxes paid.
Investing	(377)	(418)	41	Lower cash outflows due to increased holdbacks payable, and funding related to Project Sandow in 2024, partially offset by higher capital expenditures in 2025.
Financing	91	170	(79)	Higher net debt repayments, partially offset by repayment of RRO Stability Act funding in 2024.
Opening cash	54	46	8	
Closing cash	\$ 83	\$ 62	\$ 21	

(Unaudited, \$ millions)

Cash inflows (outflows)

Year ended December 31,	2025	2024	Increase (decrease)	Explanation of primary changes
Operating	\$ 1,132	\$ 1,235	\$ (103)	Decrease in non-cash operating working capital due to lower construction activity and higher income taxes paid, partially offset by higher Adjusted EBITDA (as described above) and Blue Sky transfer fee.
Investing	(1,073)	(1,243)	170	Lower cash outflows due to funding related to Project Sandow in 2024 and proceeds received from the Texas Gas divestiture, partially offset by higher capital expenditures in 2025.
Financing	(38)	45	(83)	Lower net debt issuances, partially offset by repayment of RRO Stability Act funding in 2024.
Opening cash	62	25	37	
Closing cash	\$ 83	\$ 62	\$ 21	

Operating Activities and Liquidity

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

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

Capital Requirements and Contractual Obligations

EPCOR's projected cash requirements for capital expenditures in 2026 are estimated to range between \$1,180 million and \$1,460 million.

The following table represents the Company's contractual obligations by year:

(Unaudited, \$ millions)	2026	2027	2028	2029	2030	2031 and thereafter	Total
U.S. Regulated Water purchase and transportation of water agreements ¹	\$ 16	\$ 3	\$ 3	\$ 3	\$ 3	\$ -	\$ 28
U.S. Regulated Water billing and customer care services agreement ²	5	5	5	5	6	-	26
Sadow Lakes Ranch ³	17	17	18	19	19	564	654
Bruce Power ⁴	22	6	-	-	-	-	28
Loans and borrowings ⁵	167	33	33	183	282	4,579	5,277
Interest payments on loans and borrowings	222	221	218	216	207	3,229	4,313
Contingent consideration ⁶	-	48	3	-	-	-	51
Lease liability payments ⁷	14	15	13	13	12	13	80
Financial electricity purchase contracts ⁸	56	6	-	-	-	-	62
EPCOR 130 Pipeline expansion ⁹	35	29	-	-	-	-	64
Other	32	20	8	2	2	19	83
Total contractual obligations	\$ 586	\$ 403	\$ 301	\$ 441	\$ 531	\$ 8,404	\$ 10,666

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. The contract is valid for a period of 10 years up to November 2030.
3. The Company entered into a subcontract with Sadow Lakes Ranch for utilization of their waste disposal facilities and the reservation and supply of water to Samsung.
4. The Company entered into contracts for the design, build and finance of Bruce Power's potable water distribution assets.
5. During the year, the Company issued \$250 million long-term senior unsecured debentures for a term of 5 years with a coupon rate of 3.37% and an effective interest rate of 3.52%. Interest is payable semi-annually and the principal is due at maturity. For additional information on loans and borrowings, refer to loans and borrowings (note 17) of the consolidated financial statements for the years ended December 31, 2025 and 2024.

6. The contingent consideration represents the present value of the Company's commitment to pay approximately US\$33 million 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 and \$5 million on the HAWSCo share purchase acquisition. The Company is reasonably certain that it will be required to settle the commitment related to EPCOR 130 Project Inc. and the HAWSCo acquisition by way of cash payments and, accordingly, recognized the liability for contingent consideration in the consolidated statements of financial position.
7. The Company entered into various agreements for lease of land and buildings including office space. For additional information on lease liabilities, refer to EPCOR's consolidated financial statements for the years ended December 31, 2025 and 2024.
8. The Company entered into financial electricity purchase contracts to backstop load requirements and mitigate the risk of fluctuating energy prices. The estimates for these contracts are subject to changes in expected load requirements. For additional information on financial electricity purchase contracts, refer to financial instruments (note 25) and financial risk management (note 26) of the consolidated financial statements for the years ended December 31, 2025 and 2024.
9. The Company signed an agreement to expand the capacity of water supplied by EPCOR 130 Project Inc., in the North American Commercial Services segment, for a commitment of \$35 million and \$29 million in 2026 and 2027, respectively.

As at February 26, 2026, there were three common shares of the Company outstanding, all of which are owned by the City. During the year ended December 31, 2025, the Company paid a dividend of \$201 million to the City which will be increased to \$206 million in 2026 and beyond until such time as the EPCOR Board recommends that it be changed.

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

Financing Updates

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

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

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

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

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) were issued and outstanding.
2. The Company's uncommitted bank credit facility consists of six bilateral credit facilities totalling \$340 million (2024 – six 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.

If the economy or capital market conditions were to deteriorate in the longer term, particularly in Canada and the U.S., the Company's ability to extend the maturity or revise the terms of bank credit facilities, arrange long-term financing for its capital expenditure programs and acquisitions, or refinance outstanding indebtedness when it matures could be adversely impacted. We believe that these circumstances have a low probability of occurring. We continually monitor our capital programs and operating costs to minimize the risk that the Company becomes short of cash or unable to honor its debt servicing obligations. If required, the Company would look to add temporary liquidity sources and reduce capital expenditures and operating costs.

Credit Ratings

(Unaudited) Year ended December 31,	2025	2024	2023
Credit ratings			
S&P Global Ratings:			
Issuer credit rating and senior unsecured debt rating	n/a ¹	n/a ¹	A-
DBRS Morningstar:			
Commercial paper rating	R-1 (low)	R-1 (low)	R-1 (low)
Issuer rating and senior unsecured debentures rating	A (low)	A (low)	A (low)
Fitch Ratings:			
Issuer default rating	A-	A-	A-
Instrument rating	A	A	A

1. At the request of EPCOR, S&P Global Ratings withdrew its A-/stable issuer and senior unsecured debenture ratings on July 18, 2024.

In November 2025, DBRS Morningstar confirmed its A (low) / stable senior unsecured debt and R-1 (low) / stable short-term debt and Fitch Ratings confirmed its ratings of A- / issuer default rating to EPCOR and A / instrument

rating to EPCOR's senior unsecured debt.

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

Financial Covenants

EPCOR is currently in compliance with all of its financial covenants in relation to its committed bank credit facility, Canadian senior unsecured debentures and U.S. private debt notes. Based on current financial covenant calculations, the Company has sufficient borrowing capacity to fund current and long-term requirements. Although the risk is low, breaching these covenants could potentially result in a revocation of EPCOR's credit facilities causing a significant loss of access to liquidity or resulting in the Company's senior unsecured debentures and private debt notes becoming immediately due and payable causing the Company to find a means of funding which could include the sale of assets.

The key financial covenants and their thresholds, as defined in the respective agreements and EPCOR's actual measures at December 31, 2025 and 2024 were as follows:

(Unaudited)	Threshold	Actual 2025	Actual 2024
Modified consolidated net tangible assets to consolidated net tangible assets ¹	> or = 80%	99%	100%
Consolidated senior debt to consolidated capitalization ratio ²	< or = 75%	51%	52%
Interest coverage ratio ³	> or = 1.75:1.00	6.20	4.56
Debt issued by subsidiaries to consolidated net tangible assets ⁴	< or = 12.5%	0.0%	0.0%

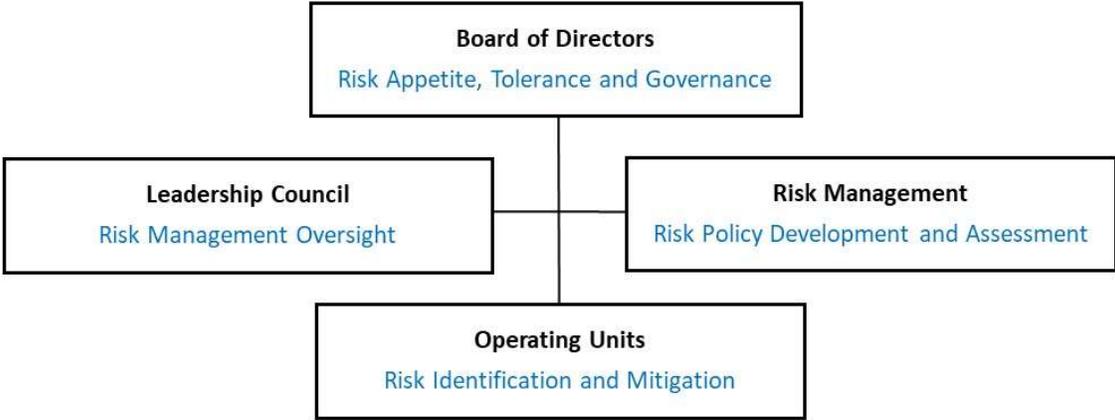
1. Modified consolidated net tangible assets to consolidated net tangible assets refers to the total assets of the material subsidiaries of the Company on a consolidated basis, less intangible assets expressed as a percentage of the total assets of the Company on a consolidated basis, less intangible assets.
2. Consolidated senior debt to consolidated capitalization refers to the Company's total unsubordinated long-term debt expressed as a percentage of total unsubordinated long-term debt plus shareholder's equity. This excludes subordinated debt which has a lower ranking for repayment.
3. Interest coverage ratio refers to the Company's ability to pay the interest that arises on outstanding debt. It is calculated by dividing the Company's operating income before interest income and depreciation and amortization expense by the Company's interest expense on loans and borrowings. The interest coverage ratio covenant is not applicable if the Company has an investment grade credit rating.
4. Limitation of debt issued by subsidiaries refers to the total debt held by the Company's subsidiaries that is not guaranteed by the Company plus total debt held by material subsidiaries which is secured by the subsidiaries' assets, expressed as a percentage of the Company's total assets less any intangible assets.

Outlook

In 2026, EPCOR will focus on the expansion and construction of wastewater treatment plants and water treatment plants and will continue to target growth in rate-regulated and contracted water, wastewater and electricity infrastructure. We expect much of this investment to come from lifecycle replacement of existing infrastructure primarily related to the Edmonton and U.S. based operations and new infrastructure. The Company also intends to expand its water and electricity commercial services activities. The Company reviews its operations from time-to-time and may divest of those that are no longer viewed as strategic. The Company will also continue to actively manage EPCOR's commodity risk exposures related to electricity and natural gas for future periods by entering into various financial and physical purchase contracts.

Risk Factors and Risk Management

Approach to Risk Management



EPCOR operates in markets and regulatory environments that involve significant risks. The Company’s approach to Enterprise Risk Management (ERM) is to manage the key controllable risks facing EPCOR to acceptable levels and consider appropriate actions to respond to uncontrollable risks. EPCOR’s ERM framework is aligned with the Committee of Sponsoring Organizations 2017 Integrated ERM Framework and the ERM process follows CAN / CSA ISO 31000-10 Risk Management – Principles and Guidelines. The Company’s ERM program and the supporting risk management framework are overseen by the Board of Directors and designed to identify, assess, measure, mitigate and report on EPCOR’s significant risks. The goal is to create and sustain business value by helping the Company achieve its business objectives and strategies. The program promotes a common framework and language for managing risk across EPCOR.

Acceptable levels of risk appetite and risk tolerance for EPCOR are established by the Board of Directors and are embodied within the decisions and Board-approved corporate policies associated with risk management. Oversight of the Company’s system of controls and procedures associated with mitigating EPCOR’s top risks is provided by the Company’s senior executive body, Leadership Council. The Corporate Controller and Director, Risk Management is responsible for developing the framework and assessing risk at an enterprise level and monitors the effectiveness of key controls, which is reported to the Board of Directors quarterly. The Company’s business segments, comprised of business units and shared service units, are responsible for identifying risks and developing and performing the activities associated with mitigating the risks in their respective operations. These business segment activities are monitored by a cross-functional ERM Committee, chaired by the Corporate Controller and Director, Risk Management, which meets quarterly to review risks and to provide input into the quarterly ERM Board report. These risk management actions are integral aspects of the business units’ and shared service units’ operations.

EPCOR believes that risk management is a key component of the Company’s culture and that cost-effective risk management practices are in place. At the same time, EPCOR views risk management as an ongoing process, which is continually reviewed for new risks and opportunities to enhance existing risk management processes.

The Company’s principal risks, which are outlined below, could have an adverse impact on EPCOR’s business operations and results, financial condition, growth strategy, or reputation. There can be no assurance that any risk management steps taken by EPCOR with the objective of mitigating the foregoing risks will avoid future loss due to the occurrence of such risks.

Political and Legislative Changes

The Company is subject to risks associated with evolving political conditions and changes in federal, provincial, state and municipal laws across North America. Legislative and regulatory frameworks affecting the utility sector continue to evolve, and it is not always possible to predict the nature, timing, or impact of future changes. Such changes may impact EPCOR’s operations, financial performance, income tax status, rate-setting processes, or ability to obtain or renew permits, licenses, and approvals required.

The Company owns and operates utilities that provide essential services to customers in Canada and the U.S. Although EPCOR is granted exclusive rights to operate in various municipalities and counties through franchise agreements and certificates of convenience and necessity, local governments may exercise their rights under legislation to expropriate the utilities at fair value, subject to local processes.

EPCOR is a municipally controlled corporation and a subsidiary of the City of Edmonton. The Company operates under the Municipally Controlled Corporations Regulation (MCC Regulation), which provides exemptions from certain provisions of the Municipal Government Act (MGA) that would otherwise apply. The MCC Regulation expires periodically and is currently scheduled to next expire on June 30, 2028. If the MCC Regulation is not renewed or extended, EPCOR could become subject to additional requirements and restrictions under the MGA, which could limit operational flexibility, governance arrangements, and the Company's ability to conduct its business and achieve its strategic objectives.

The Province of Alberta has publicly signaled increased attention to oversight of municipal water services, noting that its Calgary system review is intended to identify gaps, strengthen accountability, and support councils in making informed long-term infrastructure decisions. EPCOR is monitoring these developments and evaluating potential implications within its broader regulatory and operating environment.

The evolving structure of Alberta's energy market is aimed at adapting the market to better deliver on reliability, affordability and sustainability; however, it does present a forward-looking risk as it may result in changes to market design, regulatory frameworks, and pricing mechanisms. The ongoing restructuring of Alberta's electricity market may result in higher utility costs for customers, which could adversely impact affordability as well as EPCOR's reputation and financial position.

Strategies employed for managing political and legislative risk:

- Engage proactively and constructively in discussions with policy makers, regulators, and industry stakeholders to understand, anticipate, and respond to legislative and regulatory developments on a timely basis.
- Maintain established relationships with relevant levels and branches of government, including elected officials, public servants, and regulatory bodies across jurisdictions in which EPCOR operates.
- Work with the Government of Alberta to support the extension of the MCC regulation beyond June 30, 2028.

Regulatory and Return on Equity

The majority of EPCOR's operations are subject to the uncertainties faced by regulated utility companies, which include whether customer rates and tariffs approved by the regulator provide the Company with a reasonable return on the equity and debt capital used to fund operations and investments. These risks, as well as the potential lag in the timing of regulatory approvals, may adversely impact EPCOR's operations and financial position.

EPCOR's water and wastewater treatment services, including distribution and collection, to customers within Edmonton utilize a PBR structure, which are rate regulated by Edmonton City Council pursuant to the applicable bylaws. The Company's ability to fully recover operating and capital costs and to earn a fair return is dependent upon obtaining regulatory approval of customer rates, achieving the performance targets prescribed in the bylaws, maintaining cost increases at or below inflation, managing operational risks and not exceeding approved capital additions. Rates for water sales to regional water commissions surrounding Edmonton are regulated by the AUC on a complaints-only basis. EPCOR sets the rates it charges to the regional water commissions to recover actual operating and capital costs plus earn a fair rate of return.

Water and wastewater services provided by EPCOR's U.S. subsidiaries are regulated by state regulatory commissions within Arizona and New Mexico. The Company's ability to fully recover operating and capital costs and earn a fair return is dependent upon EPCOR's ability to achieve capital and operating cost objectives, and customer growth and consumption targets built into customer rates. Since customer rates are established on a historical cost basis, any new capital additions for water or wastewater infrastructure must be carefully planned and evaluated before commencement, since the addition of such costs to the regulatory rate base for subsequent recovery will only take place after the new infrastructure is built and the regulator approves the rate base additions through the rate application process.

The AUC utilizes a PBR structure for electricity distribution utilities in Alberta. Approval of certain additional capital projects may be applied for annually in a separate capital application, dependent on specific criteria. The Company's ability to recover the actual costs of providing service and to earn a fair return is dependent upon EPCOR's ability to manage cost increases at or below inflation, achieve the productivity factor and not exceed the approved capital additions, all as defined by the PBR formula or approved in a separate capital application.

EPCOR Energy Services in Alberta operates under the RoLR regulation as the default service provider on behalf of EPCOR Distribution and Transmission and FortisAlberta, which is discussed further in the Energy Commodity Management section below.

Strategies employed for managing regulatory risk:

- Monitor and identify new or changed laws, regulations, or changed interpretations of such, and prepare appropriate response plans.
- Comply with all applicable laws, regulations and guidelines and monitor compliance.
- Perform regulatory compliance audits and take corrective actions as necessary.
- Maintain constructive relationships with relevant levels of government, agencies and stakeholders.
- Where it is safe and prudent to do so, manage operating costs and reprioritize capital plans to recover or offset any shortfall between forecasted and regulator-approved returns.

Project Delivery

Development, construction and acquisition of utility infrastructure, including projects undertaken by the Company under commercial arrangements with third parties, are subject to various engineering, construction, stakeholder, government, environmental and valuation risks. Successful project delivery may also be impacted by other factors such as weather, availability of materials and skilled labour, strikes and regulatory matters. Collectively, these risks can translate into performance issues, reputational impacts, delays and cost overruns. Project delays may defer expected revenues and/or result in cost overruns, which could make projects uneconomic.

Strategies employed for managing project delivery risk:

- Establish strategic partnerships with reputable firms with proven abilities to successfully design and construct infrastructure projects.
- Perform detailed project analysis and due diligence prior to and during project development, construction or acquisition.
- Execute appropriate contracts with qualified design engineers and construction contractors for various services to be provided as required.
- Perform post-implementation evaluation of all major projects.
- Review hurdle rates annually.

Climate Change

Climate change exposes the Company to several risks such as property damage, lost income, shortage of source water, reputation damage, and new technology motivated by climate change that could disrupt the utility industry.

EPCOR is exposed to extreme weather events such as river flooding, drought, high winds, ice storms, overland flooding, electrical storms, extreme hot and cold temperatures. EPCOR's assets are also exposed to increasing wildfire risk, which is significantly influenced by weather conditions such as dryness, wind and temperature. In Edmonton, high electrical demand during periods of extreme heat can increase the demands of and stresses on the Company's electrical transmission and distribution systems, which may reduce the long-term reliability of EPCOR's critical assets and can trigger regulator actions such as load shedding and scheduled outages. Extreme heat may also require the suspension of outdoor work at peak heat times, due to concerns for the safety of the employees, which is particularly relevant for employees in EPCOR's U.S. operations. Electrical storms and geomagnetic events could damage transformers and other electrical infrastructure, resulting in power outages for extended periods of time.

Major flooding of the North Saskatchewan River remains the most impactful event to the Company, which underscores the importance of protecting Edmonton's water and wastewater treatment plants, as well as the associated electricity substations, to 500-year flood levels in the short term.

The decreased predictability and increased severity of extreme weather events continue to heighten EPCOR's exposure to the effects of climate change, which have the potential to negatively impact customer perception, reputation, financial condition, operations or cash flow.

Strategies employed for managing climate change risk:

- Maintain business continuity plans to quickly restore operations in the event of an operational failure.
- Maintain Edmonton's Stormwater Integrated Resource Plan to mitigate overland flooding.
- Actively manage southwest U.S. water sources including replenishing reserves by injecting water into its wells whenever possible and ensuring that total sources of water exceed projected customer demand.
- Permanently protect the EL Smith and Rossdale water treatment plants from one-in-500-year North Saskatchewan River flood events by 2028.
- Maintain emerging event communication protocols through multiple government channels to ensure customers are well-informed and safe.
- Monitor and maintain appropriate levels insurance coverage, including coverage for climate-related events.

Infrastructure Reliability and Business Interruption

The Company's operations are exposed to the risk of critical equipment and infrastructure failure, which is essential to the provision of uninterrupted services to customers. While redundancy is built into many of EPCOR's critical operational functions and critical spare parts are kept in inventory, not all critical failure points are fully mitigated. Interruption of the Company's operations could also result from accidental actions, natural occurrences, or intentional acts such as terrorism or sabotage.

An extended outage due to equipment or infrastructure failure could result in lost revenues, reputational impacts and/or additional costs to resume operations. Although EPCOR's operations have historically performed in accordance with expectations, there can be no assurance that they will continue to do so.

Strategies employed for managing infrastructure reliability risk:

- Establish and maintain redundancy for critical assets and operational processes.
- Invest in the renewal and replacement of infrastructure nearing end of life.
- Follow sound maintenance practices and asset inspection plans.
- Maintain an inventory of readily available strategic spare parts.
- Maintain and exercise emergency response and business continuity plans regularly.
- Reassess and reprioritize asset maintenance and capital plans annually based on periodic inspections and condition monitoring where possible.
- Ensure that the Company's facilities operate in compliance with regulations and in conformance with EPCOR standards via the completion of Integrated Site Assurance Team engagements, performed by EPCOR's internal audit function.
- Maintain appropriate insurance coverage, including appropriate terms and limits.

Safety and Operations

The health and safety of EPCOR's employees and the public is a foundational commitment of the Company.

EPCOR is responsible for ensuring that the potable water it produces is safe to drink, which is subject to extensive federal, provincial and state legislation and regulations. Failure to properly maintain fully functioning treatment and measurement systems could result in regulatory penalties, reputational risk and/or public health events.

EPCOR's work environment can be inherently dangerous. The Company's operations include the use of hazardous

chemicals, high voltage electricity and natural gas transmission and distribution systems located near populated areas. A significant health and safety incident associated with these operations could result in injury to EPCOR employees and/or the public.

Strategies employed for managing health and safety risk:

- Perform continuous and rigorous quality control testing of water purification, consistent with government and industry standards.
- Maintain an organization-wide health and safety management system and measure occupational health and safety performance against recognized industry and internal performance measures.
- Conduct external compliance and internal audits to assess conformance with applicable regulatory requirements.
- Work with industry partners to share and improve health and safety practices within the industry.
- Maintain ISO 45001 registration at all major EPCOR water, wastewater, sanitary and stormwater, and electricity transmission and distribution operations across Edmonton.

Cybersecurity

The Company relies on several key information technology systems to support core operations, including industrial control systems, electricity settlement and utility billing systems. These systems and the associated hardware are vulnerable to malfunction and unauthorized access including cyber-attacks, which could lead to loss or unauthorized disclosure of sensitive customer or EPCOR information, damage to physical assets, lost revenues, extortion or otherwise disrupt operations. EPCOR maintains flexible work arrangements for many non-plant staff, which also increases the possibility of certain cyber threats, such as increased malicious network traffic and physical vulnerabilities.

Strategies employed for managing cybersecurity risk:

- Maintain and enhance complementary defense mechanisms, starting from the external information technology perimeter down to the end user, to prevent, detect and report on malicious activity.
- Monitor information technology protection systems.
- Periodically employ third-party security providers to test the systems' effectiveness and to strengthen the systems as new cyber threats arise.
- Implement additional controls and precautionary measures to protect against evolving cyber-attacks and to prevent fraud.

Technology

Rapid advancements in technology have the potential to transform traditional business models and customer expectations. While EPCOR's current use of artificial intelligence (AI) is limited, its increased use over time may impact workplace roles, including potential job displacement (or at least transformation), cultural change, and skillset change. Increased reliance on AI systems may also lead to decisions and reporting based on inaccurate information, as well as increasing the risk of privacy breaches, surveillance, and AI systems themselves becoming targets for sophisticated cyberattacks.

EPCOR has begun planning work for the replacement of its current ERP system, which is the primary system used for critical processes across the Company. ERP replacement comes with many risks including significant financial overruns, operational, data migration failures, security vulnerabilities, and user resistance due to poor training or change management, and underestimating the business-wide impact.

Strategies employed for managing technology risk:

- Maintain a company-wide AI Policy and framework to ensure that AI is carefully adopted to manage operational, financial and other risks, including related to cybersecurity and privacy.
- Engage external vendors to conduct visioning sessions to assess different ERP alternatives and to conduct market assessments.

- Assemble an internal team of cross-functional employees to support the assessment of ERP requirements and to provide quality assurance and auditing support for large implementations.

Energy Commodity Management

EPCOR offers electricity consumers in Alberta two utility service options: Encor (the competitive rate option) and EPCOR Energy Alberta (the RoLR). Encor also offers natural gas plans to consumers at both fixed or floating rates. The AUC has approved EPCOR's 2025/2026 RoLR rate at 12.01 cents/kWh, which can be adjusted upwards or downwards up to 10% for the 2027/2028 two-year price setting period. The approved RoLR rate is intended to cover energy procurement, related costs and allow the Company to earn a fair return margin.

Although EPCOR has the latitude to manage energy procurement in a way that suits the Company's risk tolerance, customers have unlimited ability to enter or exit RoLR and Encor service, increasing volume risk. While it is expected that most customers exiting the RoLR will become Encor customers, there is a risk that Encor cannot provide competitively priced contract options, which could result in customers leaving EPCOR altogether and negatively impacting the Company's financial outlook and performance.

The energy demand and supply mix also has the potential to change significantly as it is uncertain how much new generation will be available in future periods. The uncertainty in the demand and supply mix is further exacerbated by the government changes related to the Restructured Energy Market (REM) as well as the potential for the rapid expansion of data centers across Alberta, all increasing price risk. It is not possible to predict future power prices with certainty, and power price volatility could have a material impact on EPCOR's financial performance.

EPCOR will also have the opportunity, and the exposure, to a "rate reopener" mechanism for RoLR service, and a requirement to provide ongoing reporting to the Market Surveillance Administrator on the financial performance of the regulated retail electricity business, which will be a consideration in any rate reopener proceeding.

Strategies employed for managing commodity risk:

- Maintain EPCOR's Risk Oversight Council, commodity risk management program, corporate governance over market positions and key risk measures.
- Limit exposure to market price volatility by entering electricity and natural gas hedges to lock in margins.
- Limit exposure to volumetric risk by entering load-following contracts.
- Maintain constructive relationships with relevant levels of government, agencies and regulators.
- Analyze risk mitigation strategies and conduct quantitative analysis to best mitigate the REM risk and address future exposures.

Supply Chain

The Company relies on external supply chains for many goods and services, which continue to experience significant pressures. Although EPCOR has attempted to mitigate these risks, ongoing labour shortages and high demands have resulted in increased prices and lead times for certain materials and services, especially complex assets such as electrical transformers.

Tariff-driven trade tensions remain a concern as ongoing trade disputes and tariff escalations reduce global trade volumes and realign global supply chains, increasing costs of doing business. To date, the direct impact of tariffs to EPCOR has been insignificant.

Disruption of the Company's supply chain could lead to the interruption of services to customers if critical parts are unattainable when needed; delays in the construction of new facilities, deferring the Company's realization of income; or cause an acute supply and demand imbalance of goods and services, resulting in significant unplanned cost increases. The Company's most vulnerable supply is electricity, which is provided to EPCOR by third party power generators for sale, distribution and operational use.

Strategies employed for managing supply chain risk:

- Formalize arrangements with alternate suppliers of key goods and services.
- Maintain higher inventories of critical parts and supplies.

- Place orders earlier than normal to offset known extended delivery lead times.
- Recycle component parts where possible.
- Allow for component part substitutions where appropriate.
- Maintain positive relationships with peer utility providers across all provinces and states in which EPCOR operates.
- Set up dedicated stock with key suppliers.

Specific to electrical equipment, EPCOR is pursuing several items including:

- Partnering with other utilities to increase buying power.
- Procuring 'factory slots' or blocks of orders over long periods of time.
- Exploring refurbishment options.
- Refining maintenance programs to reduce risk of equipment failure.

Reputational Damage and Stakeholder Activism

The Company's reputation amongst its shareholder, employees, regulators, customers, and business partners is a key factor in EPCOR's continued success. The Company is exposed to several risks that could damage its reputation as a safe, trusted and reliable utility operator and provider of environmentally friendly utility products and services. This risk is exacerbated by other factors including customer affordability, sustainability plans, and the economy. Reputational risk cannot be managed in isolation from other forms of risk. A damaged reputation could impair the Company's ability to sell its competitive products and services and to attract and retain employees.

Strategies employed for managing reputational risk:

- Maintain positive and transparent relationships with stakeholders, including various levels of government.
- Share the Company's business objectives and priorities with stakeholders on a regular basis.
- Proactively communicate with stakeholders and the media when issues first arise and actively monitor social media to address reputational matters before they escalate.
- Ensure that each business decision is made with integrity and in line with EPCOR's corporate values.
- Promote a highly ethical culture and compliance with all regulatory requirements.
- Active engagement within the communities served by EPCOR: to build stronger, more resilient communities.

Strategic Growth and Business Integration

The Company aims to grow strategically through the combination of utility investments outside of EPCOR's existing hubs across North America and through contracted water and wastewater infrastructure projects, where they align with EPCOR's objectives. Expanding utility infrastructure offerings across Canada and the U.S. will help diversify EPCOR's investments and thereby reduce investment risk.

As consolidation activity increases across many utility industries and competition from other buyers continues to increase, the prices for suitable acquisition candidates may increase and EPCOR's ability to expand through acquisitions may be limited.

Growth projects and acquisitions undertaken by the Company may be subject to various execution and capital cost risks including, but not limited to, regulatory approvals, credit rating reduction, third-party opposition, cost escalations, securing land or water rights, safety and environmental incidents, construction delays and skilled labour constraints. Further, the integration and consolidation of growth projects are likely to place increased demands on EPCOR's management, operating systems, internal controls, and financial and physical resources, which may require EPCOR to incur significant costs and cause diversion of management time and resources.

The occurrences of these risks could have a material and adverse impact on EPCOR's business, commercial prospects, reputation, financial condition, operations or cash flow.

Strategies employed for managing strategic growth risk:

- Pursue business development opportunities in consultation with the Board and in accordance with the Company's corporate long-term plan and corporate strategy.
- Promote strong project management.
- Perform detailed project analyses, risk assessments and due diligence, including exploring opportunities to add operational value, prior to and during construction or acquisition.
- Annual review of hurdle rates.
- Perform post-implementation evaluation of all major projects to improve internal capabilities and processes and to leverage lessons learned for future projects.
- Establish a development pipeline in target markets.
- Establish and maintain constructive relationships with suppliers and stakeholders, including collaborative contracting for construction projects.

People, Skills and Labour Disruption

People are the most important part of EPCOR.

The Company's ability to successfully operate and grow the business is dependent upon attracting, retaining and developing sufficiently qualified labour, technical and management resources. Given the rapid growth of new technology and the desire to transform digitally, there is risk that the Company does not possess the right employee skillsets to successfully adopt and embrace transformation at the intended pace. The Company is also anticipating an increase in the total number of long-term employee retirements over the next 10-year period, which elevates the need for strong succession planning.

A significant portion of the Company's Canadian employees are members of labour unions under several collective bargaining agreements. Although EPCOR maintains positive working relationships with each of the labour unions, the renegotiation of the collective agreements bears the risk of labour disruption and higher labour costs than what is reflected in approved customer rates.

Strategies employed for managing people risk:

- Continually adapt to the changing views and expectations of the workforce including flexible work arrangements, professional development opportunities and wellness programs.
- Maintain core ethics and employee conduct policies and programs.
- Promote equity, diversity and inclusion strategies for all employees across EPCOR.
- Strengthen partnerships with educational institutions and support apprenticeship programs to assist in meeting workforce needs.
- Proactively engage with the unions and maintain strong collective bargaining capability, programs, and practices.
- Maintain competitive compensation programs.
- Maintain succession plans for key positions.

Financial Liquidity

The Company's cash flows from operating activities do not provide sufficient capital to undertake or complete ongoing or future development, enhancement opportunities or acquisition plans and accordingly, EPCOR requires additional financing from time to time.

The ability of the Company to arrange such financing will depend in part upon prevailing market conditions at the time and the EPCOR's business performance. There can be no assurance that debt or equity financing will be available or sufficient to meet these requirements or for other corporate purposes. Where financing is available, there can be no assurance that it will be on terms acceptable to the Company.

EPCOR's inability to access sufficient capital on acceptable terms for its operations could have a material adverse effect on the Company's business, prospects and financial condition.

Strategies employed for managing liquidity and interest rate risk:

- Monitor cash and currency requirements by preparing short-term and long-term cash flow forecasts and by matching the maturity profiles of financial assets and liabilities to identify financing requirements.
- Ladder debt maturities to avoid large debt repayments in a single year.
- Maintain access to capital sources including the Canadian senior unsecured debentures and commercial paper markets, the U.S. private debt market and the various banks comprising the Company's syndicated bank credit facility.

EPCOR's rating agencies require the Company to maintain minimum leverage ratios, and to keep EBITDA generated from non-regulated operations under specific thresholds, to maintain its present A- rating. Exceeding these thresholds could result in a credit rating downgrade. This would result in higher interest costs on new debt borrowing and potentially reduce the availability of sources of capital required to fund existing operations and new investment.

Strategies employed for managing credit rating risk:

- Maintain constructive relationships with credit rating agencies.
- Develop flexible financial structuring to adapt if circumstances would cause a credit rating downgrade from investment grade.
- Manage overall debt levels within credit metric guidelines and financial covenants.

Credit

Credit risk is the possible financial loss resulting from the inability of counterparties to satisfy their contractual obligations to EPCOR. These obligations include, but are not limited to, amounts due from utility customers for utility commodities consumed but not yet paid for, amounts due from commercial arrangements related to the design, construction, financing and/or operating cost of third-party facilities, and amounts due to or from counterparties that supply electrical load to EPCOR's electricity customers across Alberta. Historically, credit losses have not been significant and depend in large part on the strength of the economy as well as the ability of the customers to effectively manage their financial affairs through economic cycles.

In 2025, final commissioning was achieved for Project Sandow and closing conditions of the Transfer Agreement with Samsung were met for Project Blue Sky. The Company's North American Commercial Services segment will operate and maintain the Project Sandow assets for the next 30-year period under the terms of the Project Agreement. EPCOR is no longer committed to operating and maintaining the Project Blue Sky assets. At December 31, 2025, the Company recorded \$37 million (2024 - \$73 million) within trade and other receivables due from Samsung.

EPCOR's exposure to regulated and default customer credit risk is summarized below. The exposure represents the accounts receivable value for this portfolio, which is managed at the gross exposure level rather than by individual customer account.

(Unaudited, \$ millions)		
December 31,	2025	2024
Regulated and default supply customers	\$ 87	\$ 98

The year-over-year decrease in exposure primarily relates to lower regulated site counts.

Strategies employed for managing counterparty credit risk:

- Perform extensive credit reviews of the counterparties and seek various forms of security to at least partially mitigate the credit risk.
- Maintain a Board-approved credit policy and procedures including credit review, rating and monitoring processes, specific terms and limits, appropriate allowance provisioning and use of credit mitigation

strategies, including collateral arrangements

- Enter arrangements largely with creditworthy counterparties.
- Monitor existing counterparties' credit ratings for changes on an ongoing basis and conduct periodic credit reviews.

Foreign Exchange

The Company is exposed to foreign exchange risks on foreign currency denominated transactions, firm commitments, monetary assets and liabilities denominated in a foreign currency and on its net investments in foreign entities, which could have an adverse impact on EPCOR's financial performance.

Strategies employed for managing foreign exchange risk:

- Minimize economic and material transactional exposures arising from movements in the Canadian dollar relative to the U.S. dollar or other foreign currencies.
- Monitor movements in normally opposing cash flows or balances and address any material residual foreign exchange risks.
- Utilize foreign-currency denominated financing and cross-currency interest rate swaps (CCIRS).
- Utilize foreign currency forward contracts to fix the functional currency of non-functional currency cash flows.

Environment

The Company's operations require the use and disposal of hazardous materials, many of which are subject to federal, state/provincial and municipal laws, regulations and operating approvals. Failure to comply could subject the Company to fines, other penalties or specific actions to remediate the effects of these substances. Furthermore, an environmental event (spills, etc.) could materially and adversely impact EPCOR's business, prospects, reputation, financial condition, operations or cash flow.

Strategies employed for managing environmental risk:

- Utilize an environmental management system based on the ISO 14001 standard, which encompasses the Company's environmental policy, objectives, processes, procedures, training and stewardship of EPCOR's environmental responsibility.
- Require each operational facility to maintain an environmental emergency response plan.
- Subject each operational facility to third-party environmental audits to assess conformance with the EPCOR HSE management system and compliance with all regulations.
- Maintain Voluntary Protection Program status, under the U.S. Occupational Safety and Health Administration, for EPCOR's White Tanks Water Treatment Plant and Anthem Water Campus in Arizona.

Disruptive Technology

Technological change is a complex emerging risk that could impact EPCOR from many perspectives. New technology aimed at reducing natural gas, electricity or water consumption could directly result in lower demand for the Company's products and services. Further, the development of new technologies may outpace EPCOR's ability to react or adapt quickly enough to remain competitive or be able to exploit the technologies as new business opportunities.

Strategies employed for managing disruptive technology risk:

- Monitor new technologies and dialogue with industry peers and advisors about the potential effects of emerging technologies on the utility industry.
- Conduct studies on developing or emerging technologies that could directly and materially impact EPCOR existing operations and strategic growth.
- Evaluate opportunities to enhance competitiveness through optimization and efficiency initiatives.

Economic Conditions and Other Risks

A recession or other deterioration in the business environment could negatively impact on the Company, directly and indirectly. A significant decline in the economy, including a recession, could lead to reduced demand for EPCOR's products and services or increased bad debt.

Strategies available for managing economic risk:

- Reduce discretionary spending.
- Defer non-critical capital projects.
- Reestablish Company priorities and rationalize non-discretionary spending.
- Require increased security from commercial utility customers.
- Performing extensive credit reviews and ongoing credit monitoring of significant credit counterparties.

In addition to recessionary risk, the following factors could materially and adversely impact EPCOR's business, prospects, financial condition, results of operations or cash flows:

- U.S. and Canada trade disputes (including potential tariff impacts)
- Fluctuations in interest rates or inflation
- Public health crisis
- Existing and potential future lawsuits
- Audits and assessments (including income tax) against EPCOR and its subsidiaries
- Failed execution of the Company's long-term strategy
- Fraud
- Billing or system errors
- Loss of IT systems
- Loss of key facilities
- Public disclosure of erroneous information

Litigation Update

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

Certification of Annual Filings

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

The Chief Executive Officer and Chief Financial Officer have reviewed the annual information form, annual consolidated financial statements and annual MD&A, for the year ended December 31, 2025. Based on their knowledge and exercise of reasonable diligence, they have concluded that the annual filings do not contain any untrue statement of a material fact or omit to state a material fact and that these documents fairly present in all material respects the financial condition, financial performance and cash flows of the Company as of the date of and for the periods presented.

Future Accounting Standard Changes

A number of new standards, amendments to standards and interpretations have been issued by the IASB and the International Financial Reporting Interpretations Committee, the application of which is effective for periods beginning on or after January 1, 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.

Critical Accounting Estimates

In preparing the consolidated financial statements, management made estimates in determining transaction amounts and financial statement balances. The following are the items for which significant estimates were made in the consolidated financial statements.

Electricity Revenues, Costs and Unbilled Consumption

Due to the time lag between customer electricity consumption and receipt of final billing consumption information from the load settlement agents, the Company must use estimates for determining the amount of electricity consumed and the distribution services provided to customers but not yet billed. These estimates affect accrued revenues and accrued electricity costs of the Energy Services segment and accrued revenues of the Distribution and Transmission segment. There are a number of variables and judgements required in the computation of these significant estimates, and the underlying electricity settlement processes within EPCOR and the Alberta electric systems are complex. Such variables and judgements include the number of unbilled sites, the amount of and rate classification of the unbilled electricity consumed and the amount of electricity distributed to customers. Owing to the factors above and the statutory delays in final load settlement determinations and information, adjustments to previous estimates could be material. Estimates for unbilled electricity consumption and distribution services provided to customers averaged approximately \$68 million at the end of each month in 2025 (2024 - \$106 million). These estimates varied from \$60 million to \$79 million (2024 - \$62 million to \$168 million). Adjustments of estimated revenues to actual billings averaged approximately \$1 million (2024 - \$1 million).

Fair Values

We are required to estimate the fair value of certain assets or obligations for determining the valuation of certain financial instruments, asset impairments, and purchase price allocations for business combinations, and for determining values for certain disclosures. Significant judgement is applied in the determination of fair values including the choice of discount rates, estimating future cash flows, and determining the fair values of assets acquired and liabilities assumed. Following are the descriptions of the key fair value methodologies relevant for 2025.

Fair values of financial instruments are based on quoted market prices when these instruments are traded in active markets. In the case of illiquid or inactive markets, the Company uses appropriate price modeling to estimate fair value. Fair values determined using valuation models require the use of assumptions concerning the amounts and timing of future cash flows and discount rates.

The Company entered into financial electricity purchase 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 contracts are determined based on 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 fair values of the Company's Level 3 contracts are determined based on risk adjusted forward electricity price curves and anticipated customer load, which is forecasted based on internal modelling. As the forecasted customer load and risk adjusted component of the forward price curves are based on unobservable inputs, the financial electricity contracts are classified as Level 3 financial instruments. The valuation technique and the associated inputs are assessed on a regular basis for ongoing reasonability.

The Company reviews the valuation of long-lived assets subject to amortization when events or changes in circumstances may indicate or cause a long-lived asset's carrying amount to exceed the total discounted future cash flows expected from its use and eventual disposition. An impairment loss, if any, will be recorded as the excess

of the carrying amount of the asset over its fair value, measured by either market value, if available, or estimated by calculating the present value of expected future cash flows related to the asset.

Estimates of fair value for long-lived asset impairments are mainly based on depreciable replacement cost or discounted cash flow techniques employing estimated future cash flows based on a number of assumptions, including the selection of an appropriate discount rate. The cash flow estimates will vary with the circumstances of the particular assets or reporting unit and will primarily be based on the lives of the assets, revenues and expenses, including inflation, and required capital expenditures.

Income Taxes

EPCOR follows the asset and liability method of accounting for income taxes. Income taxes are determined based on estimates of our current taxes and estimates of deferred taxes resulting from temporary differences between the carrying values of assets and liabilities in the financial statements and their tax values. Deferred tax assets are assessed and significant judgement is applied to determine the probability that they will be recovered from future taxable income. For example, in estimating future taxable income, judgement is applied in determining the Company's most likely course of action and the associated revenues and expenses. To the extent recovery is not probable a deferred tax asset is not recognized. Estimates of the provision for income taxes and deferred tax assets and liabilities might vary from actual amounts incurred.

Estimated fair values and useful lives are used in determining potential impairments for each long-lived asset, which will vary with each asset and market conditions at the particular time. Similarly, income taxes will vary with taxable income and, under certain conditions, with fair values of assets and liabilities. Accordingly, it is not possible to provide a reasonable quantification of the range of these estimates that would be meaningful to readers.

Impact of Current Market Conditions on Estimates

Although the current condition of the economy has not impacted our methods of estimating accounting values, it impacted the inputs in those determinations and the resulting values. Future cash flow estimates for assessing the value-in-use of long-lived assets or cash generating units (CGUs) for impairment were updated to reflect any increased uncertainties of recoverability. The assessments did not result in any impairment losses because a large portion of the Company's operations within various CGUs are subject to rate-regulation. Our valuation models for estimating the value-in-use for various CGUs depend partly on discount rates which were updated to reflect changes in credit spreads and market volatility. Our methods for determining the expected credit loss allowance are based on a provision matrix which uses the Company's historical credit loss experience and current economic conditions (including forward looking information) for accounts receivables to estimate the expected credit loss.

Other Comprehensive Income

For the three months and year ended December 31, 2025 and 2024, the Company's transactions in other comprehensive income included the following:

(Unaudited, \$ millions)	Three months ended		Year ended December 31,	
	December 31,	December 31,	December 31,	December 31,
	2025	2024	2025	2024
Re-measurements of net defined benefit plans	\$ 1	\$ 3	\$ 1	\$ 3
Foreign exchange gain (loss) on U.S. denominated debt designated as a hedge of net investment in foreign operations ¹	5	(23)	17	(29)
Unrealized gain (loss) on derivative financial instruments designated as hedges of net investment in foreign operations ²	(3)	5	(4)	(2)
Reclassification of losses on cash flow hedges	-	(1)	(1)	(1)
Unrealized gain (loss) on derivative financial instruments designated as cash flow hedges ³	(6)	2	(1)	-
Realized gain (loss) on derivative financial instruments designated as cash flow hedges ³	-	(4)	-	5
Unrealized gain (loss) on foreign currency translation	(26)	112	(87)	140
Other comprehensive income (loss)	\$ (29)	\$ 94	\$ (75)	\$ 116

1. The Company designates the majority of long-term debt denominated in U.S. dollar as foreign exchange hedges on its net investment in foreign subsidiaries to mitigate the foreign currency risk. Accordingly, from the date of designation, foreign exchange gains or losses on translation of the debt denominated in U.S. dollars are recorded in other comprehensive income, which minimizes volatility in earnings resulting from the foreign currency conversion.
2. The Company entered into CCIRS contracts to partially hedge the foreign currency risk exposure related to net investment in foreign operations. These CCIRS contracts have been designated as hedges of net investment in foreign operations. Accordingly, from the date of designation, mark-to-market gains or losses on these financial instruments are recorded in other comprehensive income. For more information on CCIRS contracts refer to financial risk management (note 26) of the consolidated financial statements for the years ended December 31, 2025 and 2024.
3. The Company enters into various cash flow hedges to manage its exposure to interest rate and commodity price risks. Interest rate swap and bond forward contracts mitigate interest rate risk associated with movement in long-term Government of Canada bond rates and Canadian benchmark interest rates related to future planned long-term debt issuances. Fixed price financial electricity purchase contracts mitigate price risk related to the Company's load requirements for its RoLR and competitive contracts customers. For more information on these cash flow hedges refer to financial instruments (note 25) and financial risk management (note 26) of the consolidated financial statements for the years ended December 31, 2025 and 2024.

Related Party Balances and Transactions

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.

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 supplies, public works and various other services pursuant to service agreements. Transactions 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.

For further information on related party balances and transactions refer to related party balances and transactions

(note 24) of the consolidated financial statements for the years ended December 31, 2025 and 2024.

Quarterly Results

(Unaudited, \$ millions)	December 31, 2025	September 30, 2025	June 30, 2025	March 31, 2025
Revenues	\$ 749	\$ 646	\$ 743	\$ 796
Expenses	488	458	516	634
Operating income	261	188	227	162
Other income and gain (loss) on disposals	(30)	7	(6)	-
Finance expenses	(55)	(52)	(52)	(53)
Income tax expense	(29)	(11)	(18)	(6)
Net income	\$ 147	\$ 132	\$ 151	\$ 103

(Unaudited, \$ millions)	December 31, 2024	September 30, 2024	June 30, 2024	March 31, 2024
Revenues	\$ 796	\$ 867	\$ 847	\$ 885
Expenses	623	673	685	726
Operating income	173	194	162	159
Other income and gain (loss) on disposals	(23)	-	(1)	4
Finance expenses	(54)	(52)	(51)	(50)
Income tax recovery (expense)	(8)	(11)	(6)	(9)
Net income	\$ 88	\$ 131	\$ 104	\$ 104

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

Fourth Quarter Business Segment Information

(Unaudited, \$ millions)

Three months ended December 31, 2025

	Water Services	Distribution & Transmission	Energy Services	North American Commercial Services	U.S. Regulated Water	Other	Intersegment Elimination	Consolidated
External revenues	\$ 219	\$ 138	\$ 117	\$ 174	\$ 99	\$ 2	\$ -	\$ 749
Inter-segment revenue	-	1	7	14	-	-	(22)	-
Revenues	219	139	124	188	99	2	(22)	749
Energy purchases and system access fees	-	-	73	15	-	-	-	88
Other raw materials and operating charges	24	6	-	38	23	1	(9)	83
Staff costs and employee benefits expenses	35	14	10	19	17	19	(6)	108
Depreciation and amortization	51	31	2	3	26	7	-	120
Franchise fees and property taxes	12	34	-	1	2	-	-	49
Other administrative expenses	15	5	14	4	10	(1)	(7)	40
Operating expenses	137	90	99	80	78	26	(22)	488
Operating income (loss) before corporate charges	82	49	25	108	21	(24)	-	261
Corporate income (charges)	(10)	(6)	(4)	(2)	(2)	24	-	-
Operating income	72	43	21	106	19	-	-	261
Other income and gain (loss) on disposals	(14)	(1)	-	-	(15)			(30)
Finance recoveries (expenses)	(27)	(19)	-	(4)	(16)	11	-	(55)
Income tax expense	-	-	-	(23)	-	(6)	-	(29)
Net income	\$ 31	\$ 23	\$ 21	\$ 79	\$ (12)	\$ 5	\$ -	\$ 147
Capital expenditures	\$ 149	\$ 90	\$ -	\$ 12	\$ 135	\$ 5	\$ -	\$ 391

(Unaudited, \$ millions)

Three months ended December 31, 2024

	Water Services	Distribution & Transmission	Energy Services	North American Commercial Services	U.S. Regulated Water	Other	Intersegment Elimination	Consolidated
External revenues	\$ 213	\$ 125	\$ 91	\$ 248	\$ 117	\$ 2	\$ -	\$ 796
Inter-segment revenue	-	1	7	11	-	-	(19)	-
Revenues	213	126	98	259	117	2	(19)	796
Energy purchases and system access fees	-	-	59	14	-	-	-	73
Other raw materials and operating charges	22	4	-	188	24	1	(8)	231
Staff costs and employee benefits expenses	36	17	11	22	17	20	(4)	119
Depreciation and amortization	48	30	2	4	23	8	-	115
Franchise fees and property taxes	13	29	-	1	3	-	-	46
Other administrative expenses	12	4	10	6	8	6	(7)	39
Operating expenses	131	84	82	235	75	35	(19)	623
Operating income (loss) before corporate charges	82	42	16	24	42	(33)	-	173
Corporate income (charges)	(16)	(9)	(6)	(5)	(4)	40	-	-
Operating income	66	33	10	19	38	7	-	173
Other income and gain (loss) on disposals	(11)	(1)	-	-	(11)	-	-	(23)
Finance recoveries (expenses)	(25)	(18)	(1)	(7)	(15)	12	-	(54)
Income tax expense	-	-	-	(3)	(1)	(4)	-	(8)
Net income	\$ 30	\$ 14	\$ 9	\$ 9	\$ 11	\$ 15	\$ -	\$ 88
Capital expenditures	\$ 154	\$ 83	\$ -	\$ 18	\$ 80	\$ 4	\$ -	\$ 339

Forward-looking Information

Certain information in this MD&A is forward-looking within the meaning of Canadian securities laws as it relates to anticipated financial performance, events or strategies. When used in this context, words such as “will”, “anticipate”, “believe”, “plan”, “intend”, “target”, and “expect” or similar words suggest future outcomes.

The purpose of forward-looking information is to provide investors with management’s assessment of future plans and possible outcomes and may not be appropriate for other purposes. Material forward-looking information within this MD&A, including related material factors or assumptions and risk factors, are noted in the table below:

Forward-looking Information	Material Factors or Assumptions	Risk Factors
The Company expects to have sufficient liquidity to finance its plans and fund its obligations, including current liabilities in excess of current assets, for the next year.	EPCOR is able to generate the expected cash flow from operations and various means of funding remain available to the Company.	EPCOR’s operations do not generate the expected level of cash flow and/or circumstances arise, limiting or restricting the Company’s ability to access funds through the various means otherwise available.
EPCOR’s projected cash requirements for capital expenditures for 2026 are estimated to range between \$1,180 million and \$1,460 million.	EPCOR is able to complete its 2026 capital expenditure program on time and on budget and no material unplanned asset acquisitions are closed in the year.	EPCOR is successful in closing a material, unplanned acquisition or unforeseen circumstances result in construction or acquisition delays.
The Company’s dividend has been increased to \$206 million in 2026.	EPCOR is able to generate the expected cash flow from operations and various means of funding remain available to the Company. There is no revision to the dividends to be paid to the City.	EPCOR is not able to generate the expected cash flow from operations and various means of funding are not available to the Company. There is a revision to the dividends to be paid to the City.

The following table provides a comparison between actual results and future-oriented-financial information previously disclosed:

Material 2025 Objectives Previously Disclosed	Actual Result	Explanation of Material Differences from Objectives
EPCOR's projected cash requirements for capital expenditures for 2025 include \$1,000 million to \$1,240 million.	\$1,170 million	Within the range
EPCOR's projected cash requirements for 2025 include \$201 million for common share dividends.	\$201 million	No change
<p>The Company signed Project Agreements with Samsung for Projects Sandow and Blue Sky. Substantial completion was reached in October 2024 for Project Sandow and construction continues on Project Blue Sky. The operation and maintenance period of 30 years will follow final commissioning and startup.</p> <p>Under the terms of the Project Agreements, the Company committed to fund US\$300 million during the projects and the remaining commitment is US\$180 million.</p>	The Company is no longer committed to fund the remaining commitment of US \$180 million or operate and maintain the Project Blue Sky assets for the 30-year period.	The parties agreed to modify the terms of the Blue Sky Project Agreement (see Significant Events section).

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

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

Additional Information

Additional information relating to EPCOR, including the Company's 2025 Annual Information Form, is available on SEDAR+ at www.sedarplus.ca.