



KPMG LLP
2200, 10175 – 101 Street
Edmonton, AB T5J 0H3
Telephone (780) 429-7300
Fax (780) 429-7379
www.kpmg.ca

INDEPENDENT AUDITORS' REPORT ON RATE SHEETS 1, 2, 3, 4, 6, 7, AND 8

To the Senior Vice President, EPCOR Water Services Inc.

Opinion

We have audited Rate Sheets 1, 2, 3, 4, 6, 7, and 8 (hereinafter referred to as the "Rate Sheets") of EPCOR Water Services Inc. ("EWSI") for the 2019 Annual Water Rate and Wastewater Treatment Rate Filing. In our opinion, the financial information in the Rate Sheets effective April 1, 2019 to March 31, 2020 has been prepared, in all material respects, in accordance with Schedule 1 and Schedule 3 of the City of Edmonton Bylaw 17698 (the "Bylaw").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Rate Sheets" section of our auditors' report.

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

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

Responsibilities of Management and Those Charged with Governance for the Rate Sheets

Management is responsible for the preparation of the Rate Sheets in accordance with Schedule 1 and Schedule 3 of the Bylaw, and for such internal control as management determines is necessary to enable the preparation of the Rate Sheets that are free from material misstatement, whether due to fraud or error.

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

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



Auditors' Responsibilities for the Audit of the Rate Sheets

Our objectives are to obtain reasonable assurance about whether the Rate Sheets are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of EWSI's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on EWSI's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause EWSI to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the Rate Sheets.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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



Opinion

In our opinion, the financial information in the Rate Sheets effective April 1, 2018 to March 31, 2019 has been prepared, in all material respects, in accordance with Schedule 1 and Schedule 3 of the Bylaw.

Basis of Accounting and Restriction on Distribution

Without modifying our opinion, we draw attention to the fact that the Rate Sheets have been prepared in accordance with the provisions of Schedule 1 and Schedule 3 of the Bylaw. The Rate Sheets have been prepared to assist EWSI in meeting the reporting requirements of the Bylaw. As a result, the Rate Sheets may not be suitable for another purpose. Our report on the Rate Sheets is intended solely for EWSI and the City of Edmonton. It should not be distributed to or used by parties other than EWSI and the City of Edmonton.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a single, long, horizontal stroke that tapers at both ends, serving as a decorative underline.

Chartered Professional Accountants

Edmonton, Canada

February 25, 2019