Condensed Consolidated Interim Financial Statements of

EPCOR UTILITIES INC.

Six months ended June 30, 2017 and 2016

EPCOR UTILITIES INC.

Condensed Consolidated Interim Financial Statements

Six months ended June 30, 2017 and 2016

EPCOR UTILITIES INC.

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

Three and six months ended June 30, 2017 and 2016

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Revenues and other income:				
Revenues	$ 474	$ 479	$ 929	$ 954
Other income	3	3	6	8
	477	482	935	962
Operating expenses:				
Energy purchases and system access fees	183	180	384	359
Other raw materials and operating charges	43	46	76	86
Staff costs and employee benefits expenses	70	72	137	140
Depreciation and amortization	52	45	100	82
Franchise fees and property taxes	27	25	53	49
Other administrative expenses	17	18	38	40
	392	386	788	756
Operating income	85	96	147	206
Finance expenses	(27)	(29)	(54)	(63)
Dividend income from available-for-sale investment in Capital Power	-	4	-	7
Fair value gain on available-for-sale investment in Capital Power reclassified from other comprehensive income	-	-	1	-
Income before income taxes	58	71	94	150
Income tax expense	(2)	(4)	-	(5)
Net income for the periods - all attributable to the Owner of the Company	56	67	94	145
Other comprehensive income (loss):				
Items that have been or may subsequently be reclassified to net income:				
Fair value gain on available-for-sale investment in Capital Power	-	12	-	14
Fair value gain on available-for-sale investment in Capital Power reclassified to net income	-	-	(1)	-
Unrealized loss on foreign currency translation	(12)	(2)	(16)	(26)
	(12)	10	(17)	(12)
Comprehensive income for the periods - all attributable to the Owner of the Company	$ 44	$ 77	$ 77	$ 133

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

EPCOR UTILITIES INC.

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

June 30, 2017 and December 31, 2016

	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 14	$ 191
Trade and other receivables	479	325
Available-for-sale investment in Capital Power	-	6
Derivatives	1	-
Inventories	15	14
	509	536
Non-current assets:		
Other financial assets	92	265
Deferred tax assets	85	84
Property, plant and equipment	5,133	4,983
Intangible assets and goodwill	286	293
	5,596	5,625
TOTAL ASSETS	$ 6,105	$ 6,161
LIABILITIES AND EQUITY		
Current liabilities:		
Trade and other payables	$ 238	$ 299
Loans and borrowings	415	15
Deferred revenue	25	25
Provisions	14	25
Other liabilities	25	26
	717	390
Non-current liabilities:		
Loans and borrowings	1,498	1,905
Deferred revenue	1,019	1,016
Deferred tax liabilities	49	46
Provisions	93	86
Other liabilities	53	46
	2,712	3,099
Total liabilities	3,429	3,489
Equity attributable to the Owner of the Company:		
Share capital	24	24
Accumulated other comprehensive income	69	86
Retained earnings	2,583	2,562
Total equity	2,676	2,672
TOTAL LIABILITIES AND EQUITY	$ 6,105	$ 6,161

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

EPCOR UTILITIES INC.

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

Six months ended June 30, 2017 and 2016

		Accumulated other comprehensive income (loss)				
	Share capital	Available-for-sale financial assets	Cumulative translation account	Employee benefits account	Retained earnings	Equity attributable to the Owner of the Company
Equity at December 31, 2016	$ 24	$ 2	$ 94	$ (10)	$ 2,562	$ 2,672
Net income for the period	-	-	-	-	94	94
Other comprehensive loss:						
Fair value gain on available-for-sale investment in Capital Power reclassified to net income	-	(1)	-	-	-	(1)
Unrealized loss on foreign currency translation	-	-	(16)	-	-	(16)
Total comprehensive income (loss)	-	(1)	(16)	-	94	77
Dividends	-	-	-	-	(73)	(73)
Equity at June 30, 2017	$ 24	$ 1	$ 78	$ (10)	$ 2,583	$ 2,676

		Accumulated other comprehensive income (loss)				
	Share capital	Available-for-sale financial assets	Cumulative translation account	Employee benefits account	Retained earnings	Equity attributable to the Owner of the Company
Equity at December 31, 2015	$ 24	$ 1	$ 105	$ (9)	$ 2,394	$ 2,515
Net income for the period	-	-	-	-	145	145
Other comprehensive income (loss):						
Fair value gain on available-for-sale investment in Capital Power	-	14	-	-	-	14
Unrealized loss on foreign currency translation	-	-	(26)	-	-	(26)
Total comprehensive income (loss)	-	14	(26)	-	145	133
Dividends	-	-	-	-	(71)	(71)
Equity at June 30, 2016	$ 24	$ 15	$ 79	$ (9)	$ 2,468	$ 2,577

EPCOR UTILITIES INC.

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

Six months ended June 30, 2017 and 2016

	2017	2016
Cash flows from (used in) operating activities:		
Net income for the period	$ 94	$ 145
Reconciliation of net income for the year to cash from (used in) operating activities:		
Interest paid	(56)	(60)
Finance expenses	54	63
Income taxes paid	(6)	-
Income tax expense	-	5
Depreciation and amortization	100	82
Change in employee benefits provisions	(11)	(23)
Contributions received	17	13
Deferred revenue recognized	(13)	(18)
Fair value change on derivative instruments	(1)	(1)
Fair value gain on available-for-sale investment in Capital Power reclassified from other comprehensive income	(1)	-
Dividend income from available-for-sale investment in Capital Power	-	(7)
Other	(1)	(4)
Funds from operations	176	195
Change in non-cash operating working capital	(44)	28
Net cash flows from operating activities	132	223
Cash flows from (used in) investing activities:		
Acquisition or construction of property, plant and equipment and other assets[1]	(206)	(210)
Business acquisition	(46)	-
Proceeds on disposal of property, plant and equipment	4	16
Change in non-cash investing working capital	(3)	11
Net payments received on other financial assets	14	150
Net proceeds on sale of available-for-sale investment in Capital Power	6	-
Distributions received from Capital Power	-	7
Net cash flows used in investing activities	(231)	(26)
Cash flows used in financing activities:		
Net proceeds from issuance of short-term loans and borrowings (note 5)	-	1
Repayment of long-term loans and borrowings (note 5)	(5)	(134)
Dividends paid	(73)	(71)
Net cash flows used in financing activities	(78)	(204)
Decrease in cash and cash equivalents	(177)	(7)
Cash and cash equivalents, beginning of period	191	36
Cash and cash equivalents, end of period	$ 14	$ 29

1 Interest payment of $2 million (2016 – $2 million) is included in acquisition or construction of property, plant and equipment and other assets.

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

1. Nature of operations

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

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

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

Interim results will fluctuate due to the seasonal demands for electricity, water and natural gas, changes in electricity and natural gas prices, and the timing and recognition of regulatory decisions. Consequently, interim results are not necessarily indicative of annual results.

2. Basis of presentation

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared by management in accordance with International Accounting Standard 34 – Interim Financial Reporting, as issued by the International Accounting Standards Board (IASB). These condensed consolidated interim financial statements do not include all of the disclosure normally provided in the annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2016, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on August 3, 2017.

(b) Basis of measurement

The Company's condensed consolidated interim financial statements are prepared on the historical cost basis, except for its beneficial interest in the sinking fund held with the City, available-for-sale investment in Capital Power and derivative financial instruments, which are measured at fair value.

3. Significant accounting policies

(a) These condensed consolidated interim financial statements have been prepared following the same accounting policies and methods as those used in preparing the Company's most recent annual consolidated financial statements. EPCOR adopted amendments to various accounting standards effective January 1, 2017, that did not have a significant impact on these financial statements.

(b) Standards and interpretations not yet applied

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, 2018. Those which may be relevant to the Company and may impact the accounting policies of the Company are set out below. The Company does not plan to adopt these standards early.

IFRS 9 – Financial Instruments (IFRS 9), which replaces IAS 39 – Financial Instruments: Recognition and Measurement, eliminates the existing classification of financial assets and requires financial assets to be measured based on the business model in which they are held and the characteristics of their contractual cash flows. The effective date for implementation of IFRS 9 has been set for annual periods beginning on or after January 1, 2018. Based on the Company's existing financial instruments, the Company is currently evaluating the impact of the application of IFRS 9 but does not expect it to have a significant impact on its consolidated financial statements.

IFRS 15 - Revenue from Contracts with Customers (IFRS 15), which replaces IAS 11 - Construction Contracts and IAS 18 - Revenue and related interpretations, is effective for annual periods commencing on or after January 1, 2018. IFRS 15 introduces a new single revenue recognition model for contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. The Company has developed an implementation plan and is currently performing detailed analysis on each revenue stream and the underlying contracts with customers to determine the impact of IFRS 15 on the consolidated financial statements. A significant portion of the Company's revenue is generated from the provision of utility goods and services that are simultaneously received and consumed by customers. Therefore, the Company will continue to recognize utility revenue over time as the goods and services are provided because the output method of revenue recognition depicts the entity's performance towards complete satisfaction of its performance obligation. For other contracts with customers, analysis is ongoing and the Company expects to report more detailed information, including estimated quantitative impacts, in future periods.

IFRS 16 – Leases (IFRS 16), which replaces IAS 17 – Leases (IAS 17), is effective for annual periods commencing on or after January 1, 2019. IFRS 16 combines the existing dual model of operating and finance leases in IAS 17 into a single lessee model. The Company is currently reviewing contracts that are identified as leases in order to evaluate the impact of adoption of IFRS 16 on the consolidated financial statements. Based on its preliminary assessment, the Company expects that there will be a material impact on its statements of financial position requiring the recognition of lease assets and lease obligations with respect to its leases for office space, which are currently classified as operating leases.

IFRIC 23 - Uncertainty over Income Tax Treatments is effective for annual periods commencing on or after January 1, 2019. The interpretation provides guidance on the recognition and measurement of current and deferred tax assets and liabilities under IAS 12 when there is uncertainty over income tax treatments. The Company does not expect a material impact on initial application of the interpretation however the interpretation may impact the Company's recognition, measurement and disclosure of uncertain tax treatments in the future.

4. Business transfer and acquisition

Transfer of Drainage Utility Services from the City of Edmonton

On April 12, 2017, Edmonton`s City Council approved the transfer of its Drainage Utility Services (Drainage) to EPCOR. Drainage operations are comprised of the sanitary drainage utility and the stormwater drainage utility which provide services in sanitary wastewater and stormwater collection and bio solids management and disposal. The transfer of the Drainage utility will be structured as a transfer of assets and assumption of liabilities between the City and EPCOR, with EPCOR assuming financial responsibility for all existing Drainage related debt. Finalization of the terms of the Drainage transfer, including execution of a franchise agreement, is nearing completion with the transfer of the assets and assumption of liabilities expected to take place on September 1, 2017. The Company will pay $75 million to the City over a period of time to be determined by the City to compensate the City for stranded costs related to the transfer.

Hughes Gas Resources, Inc.

On June 1, 2017 the Company acquired 100% of the common shares of Hughes Gas Resources, Inc. (Hughes), a natural gas distribution, transmission and services holding company with four wholly owned subsidiaries operating northwest of Houston, Texas, for total consideration of $54 million (US$40 million) and the assumption of $13 million (US$10 million) in third party debt.

Hughes is primarily involved in the distribution of natural gas to approximately 4,300 customer connections through its rate regulated subsidiary Hughes Natural Gas, Inc. which owns and operates a 354 kilometer (220 mile) natural gas distribution network. Other subsidiaries include Alamo Pipeline, LLC, the owner and operator of a rate regulated natural gas transmission pipeline which transports natural gas from suppliers to Hughes Natural Gas, Inc. through its 51 kilometer (32 mile) pipeline. These operations are regulated by the Texas Railroad Commission. The acquisition also includes two unregulated subsidiaries, Pinehurst Utility Construction, LLC (infrastructure contractor) and Goliad Midstream Energy, LLC (intermediary company for negotiation of supply contracts).

(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

The purchase price was allocated to the assets acquired and liabilities assumed based on their preliminary fair values on the date of acquisition, in Canadian dollars as follows:

Fair value of net assets acquired:		
Trade and other receivables	$	2
Property, plant and equipment		65
Intangible assets		1
Trade and other payables		(1)
Loans and borrowings		(13)
Net assets acquired at fair value	$	54

Consideration:		
Cash	$	46
Contingent consideration		8
Total consideration	$	54

The intangible assets of $1 million represent the fair value of a franchise agreement with the City of Magnolia for the distribution of natural gas.

Loans and borrowings of $13 million represent the fair value of existing third party debt assumed by the Company as part of the transaction. Subsequent to the acquisition date, the Company repaid a portion of the assumed debt and the remaining third party debt has terms-to-maturity of up to four years at interest rates ranging between 4.51% and 7.00% per annum.

Contingent consideration with a fair value of $8 million was recognized at the date of acquisition. The contingent consideration consists of the Company's commitment to pay a fee, with a cap of US$8 million, to the previous owners of Hughes on the addition of new customer connections above a minimum of 600 incremental customer connections over a period of six years from the date of closing.

The transaction has been accounted for using the acquisition method in conformance with IFRS 3 Business Combinations with the results of operations included in the condensed consolidated interim financial statements from the date of acquisition. Total revenue and net income included in the condensed consolidated interim statements of comprehensive income since the date of acquisition to June 30, 2017 was insignificant. The condensed consolidated interim statements of comprehensive income up to June 30, 2017 would have included estimated revenue and net income of $3 million and $1 million respectively had the acquisition of assets occurred on January 1, 2017.

Management used assumptions and estimates about future events in the determination of fair values. The assumptions and estimates with respect to the determination of the fair value of property, plant and equipment, intangible assets and contingent consideration required the most judgment. The key assumptions in determination of fair value included future regulatory rates, discount rate, future growth rates and expected additional customer connections for supply of natural gas. Based on those assumptions and estimates, the purchase price was allocated to the identified assets and liabilities, including contingent consideration. The fair values were estimated by applying standard valuation techniques. For property, plant and equipment, a replacement cost estimate was prepared by an external consultant and the fair value was then determined internally by making adjustments for functional and economic obsolescence. The fair value of contingent consideration was based on management's expectations for the addition of new customer connections over the period of six years from the date of acquisition, discounted to present value.

The fair value estimates of the assets acquired and liabilities assumed are preliminary and will be finalized upon completion of review by management. Such review could result in adjustments to the purchase price allocation between assets acquired and liabilities assumed.

(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

5. Changes in liabilities arising from financing activities:

	At December 31, 2016	Issued or received	Redemptions, repayments or payments	Foreign currency valuation adjustment	Other	At June 30, 2017
Long-term loans and borrowings:						
Obligation to the City, net of sinking fund	$ 91	$ -	$ (4)	$ -	$ (2)	$ 85
Public debentures	1,450	-	-	-	-	1,450
Private debt notes	390	-	(1)	(13)	13	389
Deferred debt issuance costs	(11)	-	-	-	-	(11)
Total long-term loans and borrowings	$ 1,920	$ -	$ (5)	$ (13)	$ 11	$ 1,913
Contributions from customers and developers	$ 21	$ -	$ -	$ (1)	$ 8	$ 28

	At December 31, 2015	Issued or received	Redemptions, repayments or payments	Foreign currency valuation adjustment	Other	At June 30, 2016
Long-term loans and borrowings:						
Obligation to the City, net of sinking fund	$ 105	$ -	$ (4)	$ -	$ (2)	$ 99
Public debentures	1,580	-	(130)	-	-	1,450
Private debt notes	346	-	-	(23)	-	323
Deferred debt issuance costs	(12)	-	-	-	1	(11)
Total long-term loans and borrowings	$ 2,019	$ -	$ (134)	$ (23)	$ (1)	$ 1,861
Short-term loans and borrowings	$ 98	$ 712	$ (711)	$ -	$ -	$ 99
Contributions from customers and developers	$ 23	$ 1	$ (1)	$ (4)	$ (2)	$ 17

(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

6. Financial instruments

Classification

The classification of the Company's financial instruments at June 30, 2017 and December 31, 2016 is summarized as follows:

	Classification				
	Fair value through profit or loss	Loans and receivables	Other liabilities	Available-for-sale	Fair value hierarchy
Measured at fair value					
Available-for-sale investment in Capital Power				X	Level 1
Derivatives	X				Level 1
Beneficial interest in sinking fund				X	Level 1
Other liabilities					
Contingent consideration – designated	X				Level 3
Measured at amortized cost					
Cash and cash equivalents		X			Level 1
Trade and other receivables		X			Level 3
Other financial assets		X			Level 2
Trade and other payables			X		Level 3
Debentures and borrowings			X		Level 2
Other liabilities					
Customer deposits			X		Level 3

Fair value

The carrying amounts of cash and cash equivalents, trade and other receivables, current portion of other financial assets, trade and other payables and certain other liabilities (including customer deposits) approximate their fair values due to the short-term nature of these financial instruments. The carrying amounts and fair values of the Company's remaining financial assets and liabilities are as follows:

	June 30, 2017		December 31, 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Available-for-sale investment in Capital Power	$ -	$ -	$ 6	$ 6
Derivatives	1	1	-	-
Non-current portion of other financial assets[1]	91	106	264	275
Loans and borrowings				
Debentures and borrowings	2,002	2,392	2,007	2,328
Beneficial interest in sinking fund	(89)	(89)	(87)	(87)
Other liabilities				
Contingent consideration	43	43	36	36

1 Excluding finance lease receivables $1 million (December 31, 2016 – $1 million).

Fair value hierarchy

The financial instruments of the Company that are recorded at fair value have been classified into levels using a fair value hierarchy. A Level 1 valuation is determined by unadjusted quoted prices in active markets for identical assets or liabilities. A Level 2 valuation is based upon inputs other than quoted prices included in Level 1 that are observable for the instruments either directly or indirectly. A Level 3 valuation for the assets and liabilities are not based on observable market data.

Available-for-sale investment in Capital Power

The available-for-sale investment in Capital Power represents an investment in common shares of Capital Power Corporation. The fair value of the investment is based on the quoted price of common shares of Capital Power Corporation (CPX) on the Toronto Stock Exchange at December 31, 2016. During the first quarter of 2017 the remainder of this investment was disposed.

Derivatives

The fair value of the Company's financial electricity purchase contracts is determined based on exchange index prices in active markets. Fair value amounts reflect management's best estimates using external readily observable market data such as forward electricity prices.

It is possible that the assumptions used in establishing fair value amounts will differ from future outcomes and the impact of such variations could be material.

Other financial assets

The fair value of the Company's unsecured long-term receivable from Capital Power is based on a current yield for the Company's receivable at June 30, 2017, and December 31, 2016. This yield is based on an estimated credit spread for Capital Power over the yields of long-term Government of Canada bonds that have similar maturities to the Company's receivable. The estimated credit spread is based on Capital Power's indicative spread as published by independent financial institutions.

The fair values of the Company's other long-term loans and receivables are based on the estimated interest rates implicit in comparable loan arrangements plus an estimated credit spread based on the counterparty risks at June 30, 2017, and December 31, 2016.

Loans and borrowings

The fair value of the Company's long-term public debt is based on the pricing sourced from market data as of June 30, 2017 and December 31, 2016. The fair value of the Company's remaining long-term loans and borrowings is based on determining a current yield for the Company's debt at June 30, 2017 and December 31, 2016. This yield is based on an estimated credit spread for the Company over the yields of long-term Government of Canada bonds for Canadian dollar loans and U.S. Treasury bonds for U.S. dollar loans that have similar maturities to the Company's debt. The estimated credit spread is based on the Company's indicative spread as published by independent financial institutions. The Company's long-term loans and borrowings (including the current portion) include City debentures which are offset by payments made by the Company into the sinking fund. The Company's beneficial interest in the sinking fund is a related party balance and has been recorded at fair value as it has been classified as an available-for-sale financial asset in accordance with the requirements of IFRS. The fair value of the beneficial interest in the sinking fund is based on quoted market values as determined by the City at or near the reporting date.

Contingent consideration

The contingent consideration is payable in U.S. dollars and payment is dependent on securing newly executed long-term contracts for the supply of water by EPCOR 130 Project Inc. and additional customer connections for natural gas by Hughes, the timing of which is uncertain. The fair value of the Company's contingent consideration is determined based on the expected timing of securing such new contracts and customer connections and the resulting cash flows are then discounted at risk adjusted discount rates. Any change in the timing of securing new contracts and customer connections, discount rate or foreign exchange rate can have material impact on the fair value of contingent consideration.

The change in the liability for contingent consideration is as follows:

	June 30, 2017	December 31, 2016
Balance, beginning of year	$ 36	$ -
Recognized on business acquisition	8	34
Unwinding of interest included in finance expenses	1	-
Foreign currency valuation adjustment	(2)	2
Balance, end of period / year	$ 43	$ 36

7. Segment disclosures

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

Water Services

Water Services is primarily involved in the treatment, distribution and sale of water and the treatment of wastewater within Edmonton and other communities throughout Western Canada and the Southwestern U.S. This segment also provides commercial services including construction, operation and maintenance of water and wastewater treatment plants as well as natural gas distribution and transmission in the U.S.

Distribution and Transmission

Distribution and Transmission is involved in the transmission and distribution of electricity within Edmonton. This segment also provides commercial services including the maintenance and repair of the City-owned street lighting and transportation support facilities.

Energy Services

Energy Services is primarily involved in the provision of regulated tariff electricity service and default supply electricity services to residential, small commercial and agricultural customers in Alberta. Energy Services also provides competitive electricity and natural gas products through Encor.

Corporate

Corporate reflects the costs of the Company's net unallocated corporate office expenses and financing revenues on the long-term receivable from Capital Power. Corporate also held the available-for-sale investment in Capital Power.

(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Lines of business information

Three months ended June 30, 2017	Water Services	Distribution & Transmission	Energy Services	Corporate	Intersegment Elimination	Consolidated
External revenues and other income	$ 158	$ 128	$ 188	$ 3	$ -	$ 477
Inter-segment revenue	-	49	3	-	(52)	-
Total revenues and other income	158	177	191	3	(52)	477
Energy purchases and system access fees	-	68	162	-	(47)	183
Other raw materials and operating charges	29	13	-	1	-	43
Staff costs and employee benefits expenses	34	23	7	7	(1)	70
Depreciation and amortization	25	22	2	3	-	52
Franchise fees and property taxes	7	20	-	-	-	27
Other administrative expenses	11	3	7	-	(4)	17
Operating expenses	106	149	178	11	(52)	392
Operating income (loss) before corporate charges	52	28	13	(8)	-	85
Corporate income (charges)	(6)	(6)	(2)	14	-	-
Operating income	46	22	11	6	-	85
Finance recoveries (expenses)	(25)	(14)	(1)	13	-	(27)
Income tax recovery (expense)	(3)	-	-	1	-	(2)
Net income	$ 18	$ 8	$ 10	$ 20	$ -	$ 56
Capital additions	$ 51	$ 54	$ 1	$ 2	$ -	$ 108

(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Three months ended June 30, 2016	Water Services	Distribution & Transmission	Energy Services	Corporate	Intersegment Elimination	Consolidated
External revenues and other income	$ 174	$ 119	$ 186	$ 3	$ -	$ 482
Inter-segment revenue	-	45	2	-	(47)	-
Total revenues and other income	174	164	188	3	(47)	482
Energy purchases and system access fees	-	59	163	-	(42)	180
Other raw materials and operating charges	37	10	-	1	(2)	46
Staff costs and employee benefits expenses	32	22	7	10	1	72
Depreciation and amortization	23	18	1	3	-	45
Franchise fees and property taxes	7	18	-	-	-	25
Other administrative expenses	9	4	8	1	(4)	18
Operating expenses	108	131	179	15	(47)	386
Operating income (loss) before corporate charges	66	33	9	(12)	-	96
Corporate income (charges)	(7)	(8)	(2)	17	-	-
Operating income	59	25	7	5	-	96
Finance recoveries (expenses)	(23)	(12)	(1)	7	-	(29)
Dividend income from available-for-sale investment in Capital Power	-	-	-	4	-	4
Income tax recovery (expense)	(6)	-	-	2	-	(4)
Net income	$ 30	$ 13	$ 6	$ 18	$ -	$ 67
Capital additions	$ 50	$ 69	$ 2	$ 1	$ -	$ 122

(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Six months ended June 30, 2017	Water Services	Distribution & Transmission	Energy Services	Corporate	Intersegment Elimination	Consolidated
External revenues and other income	$ 294	$ 240	$ 395	$ 6	$ -	$ 935
Inter-segment revenue	-	96	6	-	(102)	-
Total revenues and other income	294	336	401	6	(102)	935
Energy purchases and system access fees	-	131	346	-	(93)	384
Other raw materials and operating charges	57	20	-	1	`(2)	76
Staff costs and employee benefits expenses	66	42	14	16	(1)	137
Depreciation and amortization	50	41	3	6	-	100
Franchise fees and property taxes	14	39	-	-	-	53
Other administrative expenses	17	8	14	5	(6)	38
Operating expenses	204	281	377	28	(102)	788
Operating income (loss) before corporate charges	90	55	24	(22)	-	147
Corporate income (charges)	(14)	(13)	(4)	31	-	-
Operating income	76	42	20	9	-	147
Finance recoveries (expenses)	(50)	(28)	(2)	26	-	(54)
Fair value gain on available-for-sale investment in Capital Power reclassified from other comprehensive income	-	-	-	1	-	1
Income tax recovery (expense)	(2)	-	-	2	-	-
Net income	$ 24	$ 14	$ 18	$ 38	$ -	$ 94
Capital additions	$ 83	$ 118	$ 2	$ 3	$ -	$ 206

(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Six months ended June 30, 2016	Water Services	Distribution & Transmission	Energy Services	Corporate	Intersegment Elimination	Consolidated
External revenues and other income	$ 325	$ 229	$ 400	$ 8	$ -	$ 962
Inter-segment revenue	-	91	5	-	(96)	-
Total revenues and other income	325	320	405	8	(96)	962
Energy purchases and system access fees	-	99	346	-	(86)	359
Other raw materials and operating charges	69	20	-	1	(4)	86
Staff costs and employee benefits expenses	66	42	14	19	(1)	140
Depreciation and amortization	37	36	3	6	-	82
Franchise fees and property taxes	14	35	-	-	-	49
Other administrative expenses	19	9	13	4	(5)	40
Operating expenses	205	241	376	30	(96)	756
Operating income (loss) before corporate charges	120	79	29	(22)	-	206
Corporate income (charges)	(14)	(15)	(4)	33	-	-
Operating income	106	64	25	11	-	206
Finance recoveries (expenses)	(47)	(25)	(2)	11	-	(63)
Dividend income from available-for-sale investment in Capital Power	-	-	-	7	-	7
Income tax recovery (expense)	(8)	-	-	3	-	(5)
Net income	$ 51	$ 39	$ 23	$ 32	$ -	$ 145
Capital additions	$ 79	$ 126	$ 2	$ 3	$ -	$ 210

The Company's assets and liabilities by lines of business at June 30, 2017 and December 31, 2016 are summarized as follows:

June 30, 2017	Water Services	Distribution & Transmission	Energy Services	Corporate	Intersegment Elimination	Consolidated
Total assets	$ 3,479	$ 2,182	$ 142	$ 3,097	$ (2,795)	$ 6,105
Total liabilities	2,700	1,496	110	1,918	(2,795)	3,429

December 31, 2016	Water Services	Distribution & Transmission	Energy Services	Corporate	Intersegment Elimination	Consolidated
Total assets	$ 3,520	$ 2,080	$ 163	$ 3,272	$ (2,874)	$ 6,161
Total liabilities	2,769	1,407	150	2,037	(2,874)	3,489

(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Geographic information

	Three months ended June 30, 2017				Six months ended June 30, 2017			
	Canada	U.S.	Inter-segment eliminations	Total	Canada	U.S.	Inter-segment eliminations	Total
External revenues and other income	$ 418	$ 59	$ -	$ 477	$ 830	$ 105	$ -	$ 935
Inter-segment revenues	52	-	(52)	-	102	-	(102)	-
Total revenues and other income	$ 470	$ 59	$ (52)	$ 477	$ 932	$ 105	$ (102)	$ 935

	Three months ended June 30, 2016				Six months ended June 30, 2016			
	Canada	U.S.	Inter-segment eliminations	Total	Canada	U.S.	Inter-segment eliminations	Total
External revenues and other income	$ 429	$ 53	$ -	$ 482	$ 862	$ 100	$ -	$ 962
Inter-segment revenues	47	-	(47)	-	96	-	(96)	-
Total revenues and other income	$ 476	$ 53	$ (47)	$ 482	$ 958	$ 100	$ (96)	$ 962

Non-current assets

	June 30, 2017	December 31, 2016
Canada	$ 4,391	$ 4,469
U.S.	1,205	1,156
	$ 5,596	$ 5,625

8. Comparative information

The comparative information in these condensed consolidated financial statements has been reclassified, where applicable, to conform to current period presentation.