EPCOR UTILITIES INC.

Management's Discussion and Analysis

For year ended December 31, 2022

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This management's discussion and analysis (MD&A), dated February 16, 2023 should be read in conjunction with the audited consolidated financial statements of EPCOR Utilities Inc. for the years ended December 31, 2022 and 2021, including material accounting policies (note 3), other financial assets (note 13), loans and borrowings (note 18), financial instruments (note 26) and financial risk management (note 27) and the cautionary statement regarding forward-looking information at the end of this MD&A. In this MD&A, any reference to "the Company", "the Corporation", "EPCOR", "it", "its", "we", "our" or "us", 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 International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB) and effective on December 31, 2022 and is presented in Canadian dollars unless otherwise specified. Terms used throughout this MD&A are defined in the Glossary at the end of this document.

In accordance with its terms of reference, the Audit Committee of the Company's Board of Directors reviews the contents of the MD&A and recommends its approval by the Board of Directors. This MD&A was approved and authorized for issue by the Board of Directors on February 16, 2023.

OVERVIEW

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

Net income was $93 million and $379 million for the three and twelve months ended December 31, 2022, respectively, compared with net income of $101 million and $388 million for the comparative periods in 2021. The decrease of $8 million and $9 million for the three and twelve months ended December 31, 2022, respectively was primarily due to the gain on the expropriation of the Bullhead City (BHC) water utility systems in 2021, combined with a gain on the settlement of contingent consideration related to EPCOR Gas Texas in 2021 and higher depreciation and finance expense in 2022, partially offset by favorable fair value adjustments related to financial electricity purchase contracts and higher Adjusted EBITDA, as described below. In addition net income for the three months ended December 31, 2022 was lower due to recovery of U.S. natural gas procurement costs in 2021.

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 $223 million and $930 million for the three and twelve months ended December 31, 2022, respectively, compared with $203 million and $843 million for the comparative periods in 2021. The increase of $20 million for the three months ended December 31, 2022 was primarily due to higher rates and customer growth, higher recognition of deferred revenue in the U.S., higher average foreign exchange rates on higher Adjusted

EBITDA from U.S. Operations, and higher construction margins due to a new project in central Texas, partially offset by higher administrative and staff costs.

The increase of $87 million for the twelve months ended December 31, 2022 was primarily due to higher rates and customer growth, higher Energy Price Setting Plan (EPSP) margins, higher construction margins due to a new project in central Texas, higher recognition of deferred revenue in the U.S., and higher average foreign exchange rates on higher Adjusted EBITDA from U.S. Operations, partially offset by higher operating and staff costs, lower commercial margins and lower Adjusted EBITDA from the expropriation of BHC in 2021.

STRATEGY

EPCOR's vision is to be a premier essential services company in North America that attracts and retains the best employees, is trusted by our customers and valued by our stakeholders. To achieve this vision, EPCOR must excel at its utility operations and human resources development and be successful in its pursuit of growth opportunities. This vision is driven by EPCOR's purpose statement, "Communities count on us. We count on each other".

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 will also continue to pursue the development or acquisition of new rate-regulated and contracted water and wastewater assets and operations in new markets. This includes design, build, finance, operating and maintenance services for municipal water and wastewater treatment infrastructure, the provision of water and wastewater treatment services, potable and process water for industrial customers and development of contracted transmission and distribution pipelines. 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.

EPCOR's electricity strategy includes maintaining and developing new distribution and transmission infrastructure in its Edmonton franchise service area and in other parts of Ontario, as well as, the development or acquisition of new electrical rate-regulated and contracted assets and operations in new markets. 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 our infrastructure and may require investments to ensure that the electricity systems are strengthened against impacts of climate change and can react to the various climate change adaptation strategies of its customers.

We believe the long-term outlook for the North American water, wastewater, electricity and natural gas businesses remains strong. The demand for this infrastructure in North America 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 energy and wastewater treatment and disposal.

Over the next five years, we plan to invest in water, wastewater, electricity and natural gas assets where appropriate returns are expected, operational excellence can be delivered and the environmental impact of the investment is acceptable. We will seek growth opportunities within our existing geographical footprint and in new geographies. EPCOR also intends to invest in renewable energy generation including solar and biogas facilities within its geographical footprint, where commodity risk can be minimized, to enhance the Company's environmental performance.

EPCOR recognizes the importance of Environmental, Social and Corporate Governance (ESG) issues to its stakeholders and investors and has developed its ESG framework and practices to ensure that the Company has a strong strategic position related to ESG. On May 3, 2022, EPCOR published its 2021 ESG Performance Update Report. The report demonstrated the Company's progress against the scorecard of 25 performance measures and 17 targets which were introduced in 2021. The ESG performance update is available on the EPCOR website at www.epcor.com/esg.

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

KEY PERFORMANCE INDICATORS

Operational and financial performance is monitored through financial and non-financial measures that fall under four broad categories: health, safety and environment (HSE); people; growth (financial); and operational excellence.

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

EPCOR's 2022 total recordable injury frequency rate was favorable compared to 2022 target. We remain committed to building a culture that supports a workplace free of occupational injury and illness with minimal environmental impact. The Company met or exceeded most of its targets in 2022. Segment performance measures are discussed under Segment Results of this MD&A.

SIGNIFICANT EVENTS

Retirement of Stuart Lee as President and Chief Executive Officer

On January 12, 2023, the Board of Directors (Board) announced that Stuart Lee will retire as President and Chief Executive Officer on May 2, 2023. The Board has appointed John Elford, currently Senior Vice President, Commercial Services, as its new President and Chief Executive Officer, effective May 2, 2023.

Samsung Austin Semiconductor LLC (SAS) projects

The Company signed two Preliminary Service Agreements and subsequent amending agreements (collectively the PSAs) with SAS, a wholly owned subsidiary of Samsung Electronics Co., Ltd., to carry out design work, site investigation, procurement of long lead equipment and completion of early works for construction of a groundwater supply system (Project Sandow) and an industrial water reclamation facility (Project Blue Sky) to support SAS' new semiconductor fabrication facility in Taylor, Texas.

On December 31, 2022 the Company signed a definitive Project Agreement (the PA) for Project Sandow to carry out the remaining work to design, build, own, operate, maintain and transfer the project assets to SAS at the expiry of the full operation and maintenance term, or in certain instances of early termination. The construction of the project is expected to be substantially complete in 2024, with an initial operation and maintenance period of 30 years after completion of construction. Under the terms of the PA, the Company is committed to fund US$120 million in the project during the final stages of construction.

During the year ended December 31, 2022, for Project Sandow the Company recorded construction revenues of $167 million (US$124 million), which were recognized on the basis of costs incurred plus an agreed-upon margin. The construction expenditures, totalling $162 million (US$120 million), were recorded in other raw materials and operating charges. The Company recorded $93 million (US$69 million) in current other financial assets, which is construction revenues for Project Sandow, net of cash received, translated at the period end exchange rate. $88 million (US$66 million) was received and recorded against the other financial asset subsequent to December 31, 2022.

During the year ended December 31, 2022, under the Project Blue Sky PSAs the Company recorded construction revenues of $311 million (US$231 million), which were recognized on the basis of costs incurred plus an agreed-upon margin. The construction expenditures, totalling $304 million (US$226 million), were recorded in other raw materials and operating charges. The Company has recorded $314 million (US$231 million) in current other financial assets, which is construction revenues from early works for Project Blue Sky translated at the period end exchange rate. The amounts recognized are recoverable from SAS. The parties are working toward a definitive Project Agreement. $112 million (US$84 million) was received and recorded against the other financial asset subsequent to year end.

Novel Coronavirus (COVID-19)

Throughout COVID-19 the Company continued providing undisrupted safe and reliable services to all of its customers and had not experienced any significant impact on its operations. During the twelve months ended December 31, 2022, COVID-19 did not result in any material impact on the financial results of the Company.

MATERIAL ACCOUNTING POLICY CHANGES

The audited consolidated financial statements for the years ended December 31, 2022 and 2021 have been prepared in accordance with IFRS. The Company has adopted the amendments to IAS 1 - Presentation of financial statements to disclose material accounting policy information rather than significant accounting policy information. Management used judgement to determine that information is material if, when considered with other information included in these financial statements, it could influence decisions users make on the basis of financial information.

CONSOLIDATED FINANCIAL INFORMATION

($ million) **Years ended December 31,**	**2022**	**2021**	**2020**
Revenues	$ 2,935	$ 2,226	$ 1,987
Adjusted EBITDA	930	843	775
Net income	379	388	276
Capital spending and investment	920	1,036	938
Total assets	14,606	13,247	12,180
Loans and borrowings (non-current)	4,040	3,638	3,207
Other financial liabilities (non-current)	169	180	165
Common share dividends	177	171	171

Revenues

($ millions)	**Three months ended December 31,**		**Twelve months ended December 31,**	
	2022	**2021**	**2022**	**2021**
Water Services segment	$ 187	$ 173	$ 755	$ 724
Distribution and Transmission segment	125	134	487	500
Energy Services segment	256	173	800	597
U.S. Operations segment	326	95	828	325
Other	28	25	104	112
Intersegment eliminations	(15)	(10)	(39)	(32)
Revenues	**$ 907**	**$ 590**	**$ 2,935**	**$ 2,226**

Consolidated revenues were higher by $317 million and $709 million for the three and twelve months ended December 31, 2022, respectively, compared with the corresponding periods in 2021, primarily due to the net impact of the following:

- Water Services' segment revenues increased by $14 million and $31 million for the three and twelve months ended December 31, 2022, respectively, compared with the corresponding periods in 2021, primarily due to higher customer rates and growth, partially offset by a change in customer mix. In addition, for the twelve months ended December 31, 2022 revenues were partially offset by lower construction and commercial revenues from certain construction, operating and maintenance contracts and lower consumption due to higher precipitation in 2022.

- Distribution and Transmission segment revenues decreased by $9 million and $13 million for the three and twelve months ended December 31, 2022, respectively, compared with the corresponding periods in 2021 primarily due to lower transmission system access service charge net collections and lower commercial services revenues due to the cessation of lighting, traffic signals and light rail transit (LRT) electrical services, partially offset by higher electricity distribution and transmission rates and volumes.
- Energy Services' segment revenues increased by $83 million and $203 million for the three and twelve months ended December 31, 2022, respectively, compared with the corresponding periods in 2021, primarily due to higher electricity rates and higher service fees from non-Regulated Rate Option (RRO) sites, partially offset by lower electricity volumes due to fewer RRO customer sites.
- U.S. Operations' segment revenues increased by $231 million and $503 million for the three and twelve months ended December 31, 2022, respectively, compared with the corresponding periods in 2021, primarily due to higher construction revenues for Projects Blue Sky and Sandow, customer growth and higher water rates in Arizona, and higher natural gas consumption caused by lower temperatures, partially offset by lower natural gas revenues due to the impact of Storm Uri which caused an increase in gas prices in 2021. In addition, for the twelve months ended December 31, 2022, there were lower water revenues due to expropriation of the BHC water utility systems in September 2021, partially offset by higher water and wastewater revenues from the San Tan operations acquired on January 29, 2021.
- Other revenues increased by $3 million for the three months ended December 31, 2022, compared with the corresponding period in 2021, primarily due to higher natural gas rates and volumes in Ontario and higher lease financing income, partly offset by lower construction revenues.
- Other revenues decreased by $8 million for the twelve months ended December 31, 2022, compared with the corresponding period in 2021, primarily due to lower construction revenues, partially offset by higher natural gas rates and volumes revenues in Ontario and higher lease financing income.

Adjusted EBITDA and Net Income

We use earnings before finance expenses, income tax recovery (expense), depreciation and amortization, changes in the fair value of derivative financial instruments, transmission system access service charge net collections, net collections of U.S. natural gas procurement costs 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 is 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. Net collections of U.S. natural gas procurement costs represents the difference between collection of flow through natural gas procurement costs from customers and natural gas procurement costs paid to suppliers or producers. Net collections of U.S. natural gas procurement costs are timing differences, which are collected from or returned to customers on finalization of the regulatory process.

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

($ millions)	Three months ended December 31, 2022	Three months ended December 31, 2021	Twelve months ended December 31, 2022	Twelve months ended December 31, 2021
Adjusted EBITDA by Segment				
Water Services segment	$ 92	$ 84	$ 400	$ 373
Distribution and Transmission segment	59	60	249	245
Energy Services segment	19	17	61	37
U.S. Operations segment	44	36	181	153
Other	9	6	39	35
Adjusted EBITDA	**223**	**203**	**930**	**843**
Other income	2	7	2	7
Finance expenses	(46)	(35)	(160)	(148)
Income tax expense	(14)	(15)	(37)	(39)
Depreciation and amortization	(116)	(100)	(409)	(377)
Change in fair value of financial electricity purchase contracts	46	-	64	10
Transmission system access service charge net collections	(2)	7	(11)	3
Net collections of U.S. natural gas procurement costs	-	14	-	-
Gain on expropriation of the BHC water utility systems	-	20	-	89
Net income	**$ 93**	**$ 101**	**$ 379**	**$ 388**

Changes in each business segment's Adjusted EBITDA, compared with the corresponding periods in 2021, are described in Segment Results below. Explanations of the remaining variances in net income for the three and twelve months ended December 31, 2022, compared with the corresponding periods in 2021, are as follows:

- Lower other income of $5 million for the three and twelve months ended December 31, 2022, respectively, was primarily due to a gain on the settlement of contingent consideration related to EPCOR Gas Texas Inc. in 2021
- Higher finance expenses of $11 million and $12 million for the three and twelve months ended December 31, 2022, respectively, was primarily due to full year interest expense on the long-term debt issued in June 2021, interest expense on the new long-term debt issued in September 2022, and additional interest on the U.S. debt issuances in December 2021 and April 2022, and higher expense due to higher short term interest rates and balances, partially offset by interest on debt which matured in 2021 and 2022. For the three months ended December 31, 2022 there was also lower capitalized interest on eligible projects due to completion of a major project in the U.S.
- Lower income tax expense of $1 million and $2 million for the three and twelve months ended December 31, 2022, respectively, was primarily due to lower income subject to tax in the U.S. as a result of the gain on expropriation of the BHC water utility systems in 2021, partially offset by higher income subject to tax in Canada, primarily in the Energy Services segment which includes the favourable changes in the fair value of electricity purchase contracts.
- Higher depreciation and amortization of $16 million and $32 million for the three and twelve months ended December 31, 2022, respectively, was primarily due to 2021 and 2022 asset additions and early asset

retirements in 2022. In addition for the twelve months ended December 31, 2022 there was higher depreciation due to a reduction in the useful lives of assets as a result of a depreciation study in the Other segment.

- Favorable changes in the fair value of financial electricity purchase contracts of $46 million and $54 million for the three and twelve months ended December 31, 2022, respectively, were primarily due to a higher favorable difference between electricity market forward prices and contracted electricity prices in 2022, compared to 2021.
- Lower transmission system access service charge net collections of $9 million and $14 million for the three and twelve months ended December 31, 2022, respectively, were primarily due to higher payments to the Alberta Electric System Operator (AESO) for system access as well as higher payments to Independent Electricity System Operator in Ontario, partially offset by higher collections from customers in both provinces.
- No net collection of U.S. natural gas procurement costs for the three months ended December 31, 2022, compared to $14 million net collection of U.S. natural gas procurement costs caused by the winter storm "Uri" in February 2021, which were approved for recovery in the fourth quarter of 2021.
- No gain on expropriation of the BHC water utility systems in 2022 compared to $20 million and $89 million recognized for the three and twelve months ended December 31, 2021, respectively, due to the expropriation of the BHC water utility systems in September 2021.

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 in Western Canada. This segment's water and wastewater business also includes the provision of design, build, finance, operating and maintenance services for municipal and industrial customers in Western Canada.

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.

On August 30, 2021, Edmonton City Council approved the PBR applications and related Bylaws pertaining to Water Services, Wastewater Treatment and Drainage Services. The new PBR for Water Services covers the five-year period effective from April 1, 2022 to March 31, 2027, while the new PBR for Drainage Services and Wastewater Treatment covers a three-year period effective from April 1, 2022 to March 31, 2025. The approvals include a consumption deferral account that will accumulate over the PBR terms. The consumption deferral account for both PBR approvals is based on the difference between actual and forecast consumption, with a refund to or collection from customers in the subsequent PBR terms.

Bylaw 19626 related to Water Services includes an allowed return on equity (ROE) of 9.89%, which was then reduced by 0.25% to reflect a risk reduction following the implementation of the customer consumption deferral account. Bylaw 19627 related to Drainage Services and Wastewater Treatment includes an allowed ROE for Wastewater of 9.89% which was then reduced by 0.25% to reflect a risk reduction following the implementation of the customer consumption deferral account for wastewater treatment and 9.95% for Drainage Services. The ROE for Drainage Services will be implemented on an inclining basis over the 2022-2026 period in equal increments, starting at 5.50% in 2022 and resulting in an average ROE of 7.14% over the three-year period. The ROE of 9.95%

in 2025 and 2026 will require further approval in a future bylaw. The approval includes special rate adjustments to sanitary and stormwater rates to recover the costs of Stormwater Integrated Resource Plan (SIRP) and the Corrosion and Odour Reduction (CORe) strategies over the 2022-2024 PBR term, with an approved ROE of 9.95%. The SIRP Strategy focuses on addressing flood mitigation risks in the City of Edmonton. SIRP will also achieve environmental quality objectives by capturing peak storm water volumes at the source using green infrastructure Low Impact Development (LID) and dry ponds, which reduces volumes of water at the outfalls and provides water quality improvements. The CORe Strategy focuses on preventing the formation of hydrogen sulphide gas (H2S), which will reduce community odour impacts and lengthen the life of sewer network assets by mitigating sanitary pipe corrosion caused by H2S.

Operationally, the facilities owned or managed by Water Services generally performed according to plan in 2022. 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 in 2022.

Work on several significant capital projects within Edmonton advanced towards completion in 2022. These projects include the network private development transmission mains, construction of the kīsikāw pīsim solar power farm with an associated battery energy storage system adjacent to the E.L. Smith Water Treatment Plant (E.L. Smith WTP), construction of a shared facility for operations and maintenance staff who maintain water and sanitary distribution and transmission assets, phosphoric injection for lead control, annual water, sanitary and stormwater service connections programs to provide new connections throughout Edmonton, other upgrade and rehabilitation projects at both the E.L. Smith WTP, Rossdale Water Treatment Plant (Rossdale) and the Gold Bar Wastewater Treatment Facility (Gold Bar), renewal of the sanitary system to address aging infrastructure in mature neighborhoods, rehabilitation of trunks impacted by corrosion and odour issues, stormwater dry pond upgrades to mitigate the future risk of flooding in various communities and new trunk sewer infrastructure to support new development.

Water Services Operating Income and Adjusted EBITDA

($ millions, including intersegment transactions)		Three months ended December 31, 2022	Three months ended December 31, 2021	Twelve months ended December 31, 2022	Twelve months ended December 31, 2021
Revenues	Water sales	$ 64	$ 59	$ 260	$ 247
	Provision of services	121	111	488	463
	Construction revenues	1	1	2	9
	Other commercial revenue	1	2	5	5
		187	173	755	724
Expenses	Other raw materials and operating charges	23	25	94	98
	Staff costs and employee benefits expenses	40	39	148	149
	Depreciation and amortization	48	46	175	170
	Franchise fees and property taxes	10	9	41	38
	Other administrative expenses	10	7	34	30
		131	126	492	485
Operating income before corporate charges		56	47	263	239
Corporate charges		(12)	(9)	(38)	(36)
Operating income		**44**	**38**	**225**	**203**
Exclude depreciation and amortization		48	46	175	170
Adjusted EBITDA		**$ 92**	**$ 84**	**$ 400**	**$ 373**

	Three months ended	Twelve months ended
Adjusted EBITDA for the periods ended December 31, 2021	**$ 84**	**$ 373**
Higher water and wastewater consumption, rates and customer growth	5	21
Higher sanitary and stormwater consumption, rates and customer growth	6	18
Lower biosolids volumes	-	2
Lower commercial margins	-	(7)
Higher water treatment costs	-	(3)
Higher staff costs	(2)	(1)
Other	(1)	(3)
Increase in Adjusted EBITDA	8	27
Adjusted EBITDA for the periods ended December 31, 2022	**$ 92**	**$ 400**

Water Services' Adjusted EBITDA increased by $8 million and $27 million for the three and twelve months ended December 31, 2022, respectively, compared with the corresponding period in 2021, primarily due to higher water, wastewater and drainage rates and customer growth, partially offset by higher staff costs and a change in customer mix. In addition for the twelve months ended December 31, 2022 there were additional offsets due to lower consumption due to higher precipitation, lower commercial margins from certain operating and maintenance contracts and higher water treatment costs for operations in the city of Edmonton due to poor water quality of the North Saskatchewan River caused by spring runoff and higher precipitation.

Year ended December 31,	2022	2021
Water sales volumes (megalitres)		
Water sales for Edmonton and surrounding regions	126,877	128,794

Water sales decreased in 2022 compared with 2021, primarily due to higher precipitation in 2022 resulting in lower consumption than in 2021.

Year ended December 31,	2022	2021
Sanitary volumes (megalitres)		
Sanitary volumes for Edmonton and surrounding regions	87,407	88,806

Edmonton and surrounding region sanitary volumes were lower in 2022 compared with 2021, primarily due to lower consumption of water as noted above.

Distribution and Transmission

Distribution and Transmission is involved in the transmission and distribution of electricity within Edmonton. The segment also provides contract commercial services including the design, construction and maintenance and other support services of street lighting, traffic signals, LRT and other utility electrical infrastructure for municipal and commercial customers in Alberta.

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 to its sole customer, the AESO. The distribution services are provided to retailers within its 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 (RRT) 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.

Distribution's current performance based rate tariff covers the years 2018 to 2022. On June 18, 2021, the AUC issued its decision directing that the 2023 rates will be set through a hybrid cost of service approach in which the extent of expenditure examination will be guided by the nature, size or complexity of the associated costs. EPCOR filed its application on January 17, 2022 and reached a negotiated agreement that was approved by the AUC on June 20, 2022. On June 17, 2022, the AUC initiated a proceeding to establish the parameters of the Performance Based Regulation plans for Alberta distribution facility owners that will start in 2024. EPCOR expects that a decision on the Performance Based Regulation framework will be issued in mid-2023.

EPCOR filed its 2023 to 2025 Transmission Facility Owner Tariff Application on September 29, 2022. EPCOR expects that a decision on this application will be received by the second quarter of 2023 and received a decision approving interim rates on November 17, 2022 which will be in effect until the AUC issues its decision approving EPCOR's 2023 to 2025 Tariff Application.

In January 2022, EPCOR received notification from the AUC on their planned approach to the 2023 Generic Cost of Capital (GCOC) and future years. The AUC requested all interested parties to submit comments by February 2022 on whether the 2022 GCOC rates should be maintained throughout 2023 (37% equity and 8.5% ROE). On

March 31, 2022, the AUC issued its decision to extend the 2022 cost of capital parameters to 2023. The AUC also notified interested parties that it would like to consider a formula-based approach to the GCOC for the year 2024 and beyond. The AUC is of the view that a formula-based approach to ROE could increase transparency and predictability, and ultimately save customers and utilities considerable time, resources and money associated with having fully litigated proceedings every one to three years. On June 29, 2022, the AUC initiated Stage 2 of this proceeding to determine the GCOC parameters for 2024 and future test years. EPCOR expects a decision on Stage 2 of the proceeding to be issued in second quarter of 2023.

In October 2021, the AUC issued a decision that revised the regulatory accounting treatment for AESO directed customer contributions. As per the decision, any AESO directed customer contributions made by the distribution facility owners after April 23, 2021, will require the contributing entity to expense the contributions for regulatory purposes in the year they are incurred. These contributions were previously considered rate base for which the contributing entity earned a return. These contribution related expenses have been included in EPCOR's 2023 distribution revenue requirement, with a true up between forecast and actual contributions to be settled in a future year. EPCOR filed a request for permission to appeal this decision with the Court of Appeal of Alberta, which was granted by the court on January 19, 2022. The intent of the appeal is to reverse this decision and treat the contributions as capital investment on which either the transmission facility owner or distribution utility owner is entitled to earn a fair return. The appeal hearing is scheduled for February 2023.

In 2021, as a result of a significant reduction in work contracted for by the City for street lighting and LRT services, a decision was made to phase out electrical services field work for the City and commercial contracts, including LRT. This was completed over the course of 2021 and 2022, including a transfer of employees providing LRT services and other assets to the City that occurred on January 1, 2023. The Technologies division continues to provide EPCOR affiliates with professional services, project management and other services. These changes have not had a material financial impact on the Corporation.

Work on several significant capital projects proceeded in 2022. These projects include work to construct a new substation at Genesee to facilitate interconnection of two new power generation units, work to construct new 25kV circuits which are needed to meet demand in south-west Edmonton, ongoing work to connect new residential and industrial customers to EPCOR's distribution system, the annual underground Distribution cable life cycle replacement program to maintain the system reliability, 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 of Edmonton.

Distribution and Transmission Operating Income and Adjusted EBITDA

($ millions, including intersegment transactions)		Three months ended December 31, 2022	Three months ended December 31, 2021	Twelve months ended December 31, 2022	Twelve months ended December 31, 2021
Revenues	Provision of services				
	Distribution	$ 80	$ 86	$ 309	$ 314
	Transmission	28	28	113	111
	Commercial and other	17	20	65	75
		125	134	487	500
Expenses	Other raw materials and operating charges	9	12	37	43
	Staff costs and employee benefits expenses	21	20	73	79
	Depreciation and amortization	31	26	117	102
	Franchise fees and property taxes	25	23	98	92
	Other administrative expenses	5	5	16	15
		91	86	341	331
Operating income before corporate charges		34	48	146	169
Corporate charges		(8)	(6)	(24)	(23)
Operating income		**26**	**42**	**122**	**146**
Exclude depreciation and amortization		31	26	117	102
Exclude transmission system access service charge net collections		2	(8)	10	(3)
Adjusted EBITDA		**$ 59**	**$ 60**	**$ 249**	**$ 245**

	Three months ended	Twelve months ended
Adjusted EBITDA for the periods ended December 31, 2021	**$ 60**	**$ 245**
Higher electricity distribution rates	1	4
(Higher) / lower staff costs	(2)	3
Higher electricity transmission rates	1	2
Lower commercial volumes and margins	-	(4)
Higher property taxes	(1)	(3)
Other	-	2
(Decrease) increase in Adjusted EBITDA	(1)	4
Adjusted EBITDA for the periods ended December 31, 2022	**$ 59**	**$ 249**

Distribution and Transmission's Adjusted EBITDA decreased by $1 million for the three months ended December 31, 2022, compared with the corresponding period in 2021, primarily due to higher staff costs and higher property taxes, partially offset by higher electricity distribution and transmission rates.

Distribution and Transmission's Adjusted EBITDA increased by $4 million for the twelve months ended December 31, 2022 compared with the corresponding period in 2021, primarily due to higher electricity distribution and transmission rates, lower staff costs due to lower headcount and employee benefit costs, partially offset by lower commercial services margins and higher property taxes.

Year ended December 31,	2022	2021
Distribution reliability and electricity volumes		
Reliability (system average interruption duration index in hours)	0.72	0.79
Electricity distribution (gigawatt hours)	7,619	7,513

Distribution and Transmission's primary measure of distribution system reliability is the System Average Interruption Duration Index (SAIDI), which it focuses on minimizing. This measure captures the annual average number of hours of interruption experienced by Distribution and Transmission's customers, including scheduled and unscheduled interruptions to its primary distribution circuits. In 2022, the SAIDI was 0.72 hours which is an improvement from the 2021 value of 0.79 hours and remains well below the target of 1.15 hours set by AUC. Distribution and Transmission will continue with its reliability improvement programs to help maintain and improve overall system reliability. Electricity distribution volumes in 2022 increased by 1.4% compared to 2021.

Energy Services

Energy Services is primarily involved in the provision of the RRO electricity service and default supply electricity services to customers in Alberta. The segment also provides competitive electricity and natural gas products under the Encor brand, which partly mitigates the impact of RRO customer attrition. The service offerings which includes green energy options, provides customers wishing to move from the RRO to a competitive contract with an Encor offering.

Energy Services' business focuses on providing cost effective retail electricity service and efficient customer care through a highly skilled, knowledgeable and engaged customer service team. Energy Services earns income from selling electricity to residential, farm and small commercial customers under a RRT and default rate (customers with higher electricity volumes that are not under a competitive contract) in the EPCOR Distribution and Transmission Inc. and FortisAlberta Inc. service areas and several Rural Electrification Association service territories. The RRT is intended to allow Energy Services to recover its prudent costs and earn a return margin. Energy Services also provides billing, collection, and contact centre services for EPCOR Water Services Segment in Edmonton, the City waste department, and effective from December 2022, collections, and the management of contact centre services are also provided to EPCOR U.S. Operations. Energy Services focuses on providing excellent service experiences for its customers and measures call answer performance, billing performance, and customer satisfaction. These results are reported to the AUC on a quarterly basis.

EPCOR has the exclusive right to provide RRO electricity services to customers in the EPCOR Distribution and Transmission Inc. distribution service territory. Pursuant to an agreement, EPCOR also has the exclusive right to provide RRO electricity services to customers in FortisAlberta Inc.'s distribution service area through the year 2028, with successive three year renewal options through 2040.

The RRO business, which comprises the majority of the Energy Services business segment, has its rates regulated by the AUC under a cost-of-service based framework. The cost-of-service based framework allows the RRO business to recover its costs and earn a fair margin.

The 2021-2022 RRO Non-Energy rate application was filed in August 2021 and the Company refiled the application for the final rates on April 12, 2022. The AUC approved the final decision on 2021 and 2022 Non-Energy interim rates on May 17, 2022 with all final rate true-ups occurring between August and November 2022. The 2023-2025 Non-Energy rate application is expected to be filed in 2023.

The collection of approved Utility Payment Deferral Program (UPDP) bad debts and carrying costs occurred through a province wide rate rider from November 2021 to February 2022.

Energy Services' electricity revenue is determined in accordance with an EPSP approved by the AUC. Under the EPSP, Energy Services manages its exposure to customer load and fluctuating wholesale electricity spot prices by entering into financial electricity purchase contracts in advance of the month of consumption under a defined risk management process. The 2021-2024 EPSP became effective in May 2022.

In December 2022, the Government of Alberta (GOA) passed Bill 2 including amendments to the Regulated Rate Option Stability Act, to implement a rate ceiling on electricity prices from January 2023 to March 2023 exclusively for RRO customers. The GOA will fund the difference between the RRO rate and the rate ceiling approved by the GOA, which will subsequently be collected from the RRO customers through adjustments to future rates between April 2023 and December 2024 and remitted to the GOA. An interest free funding agreement was executed with the GOA in December 2022, to receive funding for the rate differential between the RRO rate and the rate ceiling during the deferral period from January 2023 to March 2023. The Company received the first installment of funding of $57 million on January 19, 2023.

Energy Services Operating Income and Adjusted EBITDA

($ millions, including intersegment transactions)		Three months ended December 31, 2022	Three months ended December 31, 2021	Twelve months ended December 31, 2022	Twelve months ended December 31, 2021
Revenues	Electricity and natural gas sales	$ 241	$ 161	$ 748	$ 553
	Provision of services	15	12	52	44
		256	173	800	597
Expenses	Energy purchases and system access fees	167	136	585	467
	Other raw materials and operating charges	-	-	1	-
	Staff costs and employee benefits expenses	11	10	39	39
	Depreciation and amortization	2	2	8	8
	Other administrative expenses	8	5	32	26
		188	153	665	540
Operating income before corporate charges		68	20	135	57
Corporate charges		(5)	(5)	(18)	(18)
Operating income		**63**	**15**	**117**	**39**
Exclude depreciation and amortization		2	2	8	8
Exclude change in fair value of financial electricity purchase contracts		(46)	-	(64)	(10)
Adjusted EBITDA		**$ 19**	**$ 17**	**$ 61**	**$ 37**

	Three months ended	Twelve months ended
Adjusted EBITDA for the periods ended December 31, 2021	**$ 17**	**$ 37**
Higher EPSP margins	1	18
Higher competitive power and gas margins	1	3
(Lower) / Higher other revenues	(1)	2
Higher provision for expected credit losses	(1)	(6)
Other	2	7
Increase in Adjusted EBITDA	2	24
Adjusted EBITDA for the periods ended December 31, 2022	**$ 19**	**$ 61**

Energy Services' Adjusted EBITDA increased by $2 million and $24 million for the three and twelve months ended

December 31, 2022, respectively, compared with the corresponding periods in 2021, primarily due to higher EPSP margins, increased growth and margins for competitive sites, partially offset by a higher provision for expected credit losses from customers as a result of higher commodity prices. In addition for the twelve months ended December 31, 2022 there were increased other revenues due to UPDP recoveries and higher late payment revenues.

Energy Services' retail electricity sales volumes were as follows:

Year ended December 31,	2022	2021
Retail electricity sales (gigawatt hours)		
RRO	3,901	4,499
Default and Competitive supply	1,565	1,225
Total	**5,466**	**5,724**

Energy Services' RRO sales volumes were lower in 2022, compared with 2021, primarily due to customers switching to competitive retailers due to higher energy costs leading to high RRO rates. The increase in default and competitive supply sales volume reflects an increase in competitive customer sites, including some who were previously on RRO supply.

Energy Services retail natural gas sales volumes were as follows:

Year ended December 31,	2022	2021
Retail natural gas sales (terajoules)		
Competitive supply	12,769	10,418

Energy Services' natural gas sales volumes were higher in 2022, compared with 2021, primarily due to increase in customer sites.

U.S. Operations

U.S. Operations are primarily involved in the treatment, transmission, distribution and sale of water, the collection and treatment of wastewater, construction of related facilities, and the provision of operating and maintenance services within the Southwestern U.S. This segment also provides natural gas distribution and transmission services in Texas. All of the Company's operations conducted in the U.S. are included in this segment.

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.

At December 31, 2022, in Arizona and New Mexico, EPCOR owned operations in nine water utility districts, each containing one or more water treatment and / or distribution facilities, and four wastewater utility districts, each containing one or more wastewater treatment and / or collection facilities. In the first quarter of 2019, the ACC considered U.S. Operation's rate application for consolidation of the 11 Arizona water utility districts, which resulted in a tie vote with no decision being rendered. The Company filed for interim rates for the 11 Arizona water utility districts, which were approved by the ACC in March 2019. The ACC ordered the Company to file a new rate application for the 11 Arizona water utility districts (including two water utility districts, which were subsequently expropriated by the BHC) that included regional consolidation options. The application, including various consolidation options, was filed on June 15, 2020. On January 26, 2022, the ACC voted to approve the Company's water rate case effective February 1, 2022. Out of the remaining nine water utility districts operated by the Company, the ACC has approved consolidation of the six water utility districts. The ACC issued the written order on February 1, 2022.

On April 28, 2022, the Arizona Corporation Commission issued a rate case decision effectively increasing customer rates in the San Tan Water and Wastewater Districts. The new rates went into effect on May 1, 2022.

U.S. Operations also operates non-regulated water services in the state of Texas. The EPCOR 130 Pipeline delivers water through a 30-inch pipeline to four municipal customers near Austin, Texas under long-term contracts. While these wholesale water contracts are technically subject to Texas Public Utilities Commission appellate review, they are considered to be effectively unregulated.

EPCOR was approved by the San Antonio Water System in Texas in April 2020 to operate and maintain the Vista Ridge Pipeline Project, a 143-mile wholesale water supply pipeline that delivers groundwater to the community of San Antonio. EPCOR owns a 5% minority interest in Vista Ridge LLC (Vista Ridge). In addition, U.S. Operations is also involved in providing operating, maintenance and management services to various water and wastewater utilities.

EPCOR Gas Texas Inc. provides natural gas distribution and transmission services to customers in Texas. Natural gas customer rates in Texas are subject to approval by the Railroad Commission of Texas (RCT).

The U.S. federal government has not enacted the previously announced corporate income tax reform. However, in August 2022, President Biden signed the Inflation Reduction Act (IRA) into law. Based on the current form of the IRA, the Company does not expect the new legislation to have a material impact on its financial results.

As noted in the significant events section on page 3, during the year ended December 31, 2022 the Company entered into PSAs with SAS to carry out early works for Projects Blue Sky and Sandow. The Company subsequently signed a PA for Project Sandow to carry out remaining work to design, build, operate, maintain and transfer the project assets to SAS at the end of the 30 year term.

Work on several significant capital projects progressed satisfactorily in 2022. These projects primarily include the sewer main extension and wastewater treatment plant expansion west of metropolitan Phoenix to accommodate new industrial and commercial customers, and expansion of the wastewater treatment plant in San Tan district acquired in January 2021.

U.S. Operations Operating Income and Adjusted EBITDA

($ millions, including intersegment transactions)		Three months ended December 31, 2022	2021	Twelve months ended December 31, 2022	2021
Revenues	Natural gas and water sales	$ 50	$ 62	$ 209	$ 213
	Provision of services	41	28	130	106
	Construction revenue	235	5	489	6
		326	95	828	325
Expenses	Energy purchases and system access fees	1	1	3	16
	Other raw materials and operating charges	247	22	547	72
	Staff costs and employee benefits expenses	18	13	56	48
	Depreciation and amortization	23	16	72	64
	Franchise fees and property taxes	1	3	8	10
	Other administrative expenses	12	5	26	20
		302	60	712	230
Operating income before corporate charges		24	35	116	95
Corporate charges		(3)	(1)	(7)	(6)
Operating income		**21**	**34**	**109**	**89**
Exclude depreciation and amortization		23	16	72	64
Exclude net collections of U.S. natural gas procurement costs		-	(14)	-	-
Adjusted EBITDA		**$ 44**	**$ 36**	**$ 181**	**$ 153**

	Three months ended	Twelve months ended
Adjusted EBITDA for the periods ended December 31, 2021	**$ 36**	**$ 153**
Higher construction and groundwater reservation margins in central Texas	4	17
Higher water and wastewater revenues in Arizona	-	11
Higher recognition of deferred revenue	9	10
Higher foreign exchange rate	6	6
Higher net energy sales margin due to higher Texas gas consumption	-	2
Higher operating costs	-	(7)
Higher staff costs	(4)	(6)
Lower Adjusted EBITDA on expropriation of the BHC water utility systems	-	(5)
Higher administrative costs	(6)	(4)
Other	(1)	4
Increase in Adjusted EBITDA	8	28
Adjusted EBITDA for the periods ended December 31, 2022	**$ 44**	**$ 181**

U.S. Operations' Adjusted EBITDA increased by $8 million and $28 million for the three and twelve months ended December 31, 2022, respectively, compared with the corresponding periods in 2021, primarily due to higher construction and groundwater reservation margins related to Projects Blue Sky and Sandow, customer growth and higher rates in Arizona, higher recognition of deferred revenue and a higher average foreign exchange rate, partially offset by higher staff and administrative costs due to cost escalation and costs associated with the customer call centre integration. In addition, for the twelve months ended December 31, 2022, there was lower Adjusted EBITDA due to expropriation of the BHC water utility systems in September 2021 and higher operating costs due to cost escalation and higher purchased water costs to support growth, partially offset by higher net energy margin due to higher gas volumes in Texas due to the colder weather.

Year ended December 31,	2022	2021
Water sales volumes (megalitres)		
Water sales for Arizona and New Mexico	101,867	99,073
Wholesale (by EPCOR 130)	5,425	3,551
Total	107,292	102,624

Arizona and New Mexico water sales volumes increased in 2022 compared to 2021 primarily due to the acquisition of San Tan operations and higher volumes due to lower precipitation, partially offset by expropriation of the BHC water utility systems in 2021. EPCOR 130 water volumes increased in 2022, compared to 2021 due to higher volumes related to take or pay wholesale customer contracts.

Year ended December 31,	2022	2021
U.S. natural gas distribution volumes (terajoules)		
Natural gas distribution volumes	396	341

Natural gas distribution volumes increased in 2022, compared with 2021, primarily due to lower average temperatures in Texas resulting in higher average heating days.

Capital Spending and Investment

($ million) **Years ended December 31,**	**2022**	**2021**	**2020**
Water Services segment	$ 437	$ 474	$ 448
Distribution and Transmission segment	279	252	218
Energy Services segment	1	2	53
U.S. Operations segment	162	134	117
Other	41	47	88
Total capital spending	920	909	924
San Tan operations acquisition (net of acquired cash)	-	127	-
Brooke Water LLC acquisition	-	-	2
Payment of consideration for Vista Ridge	-	-	12
Total acquisitions and investment	-	127	14
Total capital spending and investment	**$ 920**	**$ 1,036**	**$ 938**

We continued to invest in our infrastructure assets to improve reliability and meet increasing electricity, natural gas, treated water, sanitary and stormwater collection and wastewater treatment demands. Total capital spending and investment decreased by $116 million for the twelve months ended December 31, 2022, compared with the corresponding period in 2021 primarily due to the acquisition the San Tan operations in 2021**.**

During the year, the Company invested in sustaining and lifecycle projects like the annual water main replacement program, upgrade and rehabilitation projects related to wastewater and sanitary infrastructure in the city of Edmonton, upgrade of storm water dry ponds, underground electricity distribution cable replacement, electricity transmission and distribution capacity upgrade projects to improve reliability and meet increased customer demands as well as relocation of utility infrastructure necessitated by construction of the West valley light rail project. In addition, the Company also invested in growth projects like a new substation at Genesee to facilitate interconnection of two new power generation units, work to construct new 25kV circuits which are needed to meet demand in south-west Edmonton, construction of new private development water transmission mains, construction of the kīsikāw pīsim solar power farm with an associated battery energy storage system adjacent to the E.L. Smith WTP, construction of a shared facility for operations and maintenance staff who maintain water and sanitary distribution and transmission assets, phosphoric injection for lead control and expansion of existing wastewater treatment plants as well as ongoing work to provide new service connections.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION – ASSETS

($ millions)	December 31, 2022	December 31, 2021	Increase (decrease)	Explanation of material changes
Cash and cash equivalents	$ 130	$ 30	$ 100	Refer to Consolidated Statements of Cash Flows section.
Trade and other receivables	653	573	80	Increase in receivables due to higher energy and water volumes and rates, higher construction receivables and higher prepaid expenses, partially offset by receipt of settlement proceeds related to expropriation of the BHC water utility systems in 2021.
Inventories	25	18	7	
Other financial assets (including current portion)	682	252	430	Increase primarily due to higher unbilled construction receivables relating to Projects Blue Sky and Sandow, higher lease receivables for the water treatment plant at Darlington, an increase due to the fair value adjustment on an interest rate swap derivative asset, and foreign currency valuation adjustments.
Deferred tax assets	67	91	(24)	Decrease is primarily due to utilization of non-capital losses to offset higher income subject to tax in Canada, which includes the favourable changes in the fair value of electricity purchase contracts in Energy Services.
Property, plant and equipment	12,491	11,725	766	Increase primarily due to capital expenditures and foreign currency valuation adjustments, partially offset by depreciation expense and disposal of assets.
Intangible assets and goodwill	558	558	-	
Total Assets	$ 14,606	$ 13,247	$ 1,359	

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION – LIABILITIES AND EQUITY

($ millions)	December 31, 2022	December 31, 2021	Increase (decrease)	Explanation of material changes
Trade and other Payables	$ 832	$ 506	$ 326	Increase is primarily due to higher payables related to electricity purchases including rebates payable resulting from the Alberta Government initiated Electricity Rebate program, higher capital accruals and construction payables and higher accrued interest on long term debt.
Loans and borrowings (including current portion)	4,557	4,029	528	Increase primarily due to issuance of long-term debt in 2022, net issuance of short-term debt and foreign currency valuation adjustments on U.S. dollar denominated debt, partially offset by principal repayments of long-term debt.
Deferred revenue (including current portion)	4,429	4,187	242	Increase primarily due to cash and asset contributions received and foreign currency valuation adjustments, partially offset by deferred revenue recognized.
Provisions (including current portion)	182	221	(39)	Decrease is primarily due to refunds of construction advances and lower employee benefit accruals, partially offset by foreign currency valuation adjustments.
Other liabilities (including current portion)	201	223	(22)	Decrease primarily due to payments for lease liabilities, a decrease in customer deposits, a change in fair value of cross currency interest rate swaps, payment of the Drainage transition cost compensation, partially offset by an increase in contingent consideration and foreign currency valuation adjustments.
Deferred tax liabilities	83	74	9	Increase is primarily due to foreign currency valuation adjustments as well as timing differences for U.S. Operations.
Equity	4,322	4,007	315	
Total Liabilities and Equity	$ 14,606	$ 13,247	$ 1,359	

CONSOLIDATED STATEMENTS OF CASH FLOWS

($ millions) **Cash inflows (outflows)**				
Three months ended December 31,	**2022**	**2021**	**Increase (decrease)**	**Explanation**
Operating	$ 282	$ 208	$ 74	Higher net cash flows from operations due to higher operating income, higher contributions received and an increase in cash flows from non-cash operating working capital.
Investing	(390)	(329)	(61)	Higher outflows primarily due to higher net advances on other financial assets, partially offset by lower capital expenditures.
Financing	199	82	117	Higher inflows primarily due to lower repayments of long term debt and higher net issuances of short term debt in 2022 compared to 2021, partially offset by lower issuances of long term debt in 2022 compared to 2021.
Opening cash and cash equivalents	39	69	(30)	
Closing cash and cash equivalents	$ 130	$ 30	$ 100	

($ millions) **Cash inflows (outflows)**				
Twelve months ended December 31,	**2022**	**2021**	**Increase (decrease)**	**Explanation**
Operating	$ 937	$ 724	$ 213	Higher net cash flows from operations due to higher operating income, higher contributions received and the change in non-cash operating working capital.
Investing	(1,152)	(965)	(187)	Higher outflows primarily due to higher net advances on other financial assets, higher proceeds in 2021 related to expropriation of the BHC water utility systems, partially offset by higher inflow of funds related to the change in non-cash investing working capital and the acquisition of San Tan operations in 2021.
Financing	315	263	52	Higher inflows primarily due to lower repayment of long term debt and higher proceeds from issuance of short term debt in 2022 compared to 2021, partially offset by lower proceeds from issuance of long-term debt in 2022 compared to 2021.
Opening cash and cash equivalents	30	8	22	
Closing cash and cash equivalents	$ 130	$ 30	$ 100	

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 twelve months, with a combination of available cash, funds from operations, issuance of commercial paper, public or 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 spending and investment in 2023 include $885 million to $1,080 million for investment in existing businesses and new business development.

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

($ millions)	2023	2024	2025	2026	2027	2028 and thereafter	Total
Distribution and Transmission segment capital projects[1]	$ 96	3	$ -	$ -	$ -	$ -	$ 99
U.S. Operations billing and customer care services agreement[2]	3	3	4	3	4	13	30
The Company's portion of Project Sandow funding[3]	56	106	-	-	-	-	162
Renewable electricity credits purchase Contract[4]	1	1	1	1	1	24	29
Design and build sub-contract for Darlington water treatment plant[5]	18	-	-	-	-	-	18
Loans and borrowings[6]	517	140	34	34	33	3,821	4,579
Interest payments on loans and borrowings	165	167	163	162	161	2,473	3,291
Contingent consideration[7]	2	2	3	3	3	32	45
Lease liability payments[8]	15	13	13	13	14	50	118
Other	25	10	7	8	2	-	52
Total contractual obligations	**$ 898**	**$ 445**	**$ 225**	**$ 224**	**$ 218**	**$ 6,413**	**$ 8,423**

1 The Company has commitments for several Distribution and Transmission projects as directed by the AESO.

2 The Company has entered into a contract for billing software and support services for its U.S. Operations. The contract is valid for a period of 10 years up to November 2030.

3 Under the PA as described in the Significant Events section on page 3, the Company is committed to fund US$120 million in Project Sandow during the final stages of construction.

4 The Company has entered into a contract with Renewable Energy Systems Canada Inc. to acquire renewable electricity credits (RECs) sourced from a new wind farm in southern Alberta for a term of 20 years. The procurement of RECs is sized to match EPCOR's grid electricity consumption for all of its operations within the city of Edmonton, net of expected generation from a solar farm adjacent to E.L. Smith WTP. The construction of the new wind farm is proposed to be completed in the first half of 2023.

5 The Company entered into a sub-contract with the Bird Construction Industrial Services Ltd to design and build a water treatment plant in Darlington, Ontario.

6 During the year, the Company issued $450 million long-term public debentures for a term of 30 years with a coupon rate of 4.73% and an effective interest rate of 4.83%. The Company also issued a $63 million (US$50 million) 30-year private debt note with a coupon rate of 3.13%, and an effective interest rate of 3.18%. For both issuances the interest is payable semi-annually and the principal is due at maturity.

For additional information on loans and borrowing refer note 18 Loans and Borrowings of the audited consolidated financial statements of EPCOR Utilities Inc. for the years ended December 31, 2022 and 2021.

7 On acquisition of the Blue Water and Cross County Water Supply Corporation assets, the Company committed to pay the previous owners of Blue Water a fee which is contingent on securing new long-term contracts for the supply of water and finalization of certain pending agreements with third parties. This fee is capped at US$33 million with no time limit for payment of the fee. The Company is reasonably certain that it will be required to settle the obligation, by way of cash payment, and has accordingly recognized the liability for contingent consideration in the consolidated statements of financial position.

8 The Company has entered into various agreements for lease of land and buildings (including office space). For additional information on lease liabilities, refer the audited consolidated financial statements of EPCOR Utilities Inc. for the years ended December 31, 2022 and 2021.

As at February 16, 2023, there were three common shares of the Company outstanding, all of which are owned by the City. During the year ended December 31, 2022 the Company paid a dividend of $177 million to the City which will be increased to $185 million in 2023 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, 2022, guarantees of $559 million (2021 - $532 million) have been issued to various third parties.

Financing Updates

Generally, our external financing is generally 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 the other municipalities, publicly issued medium-term notes and U.S. private debt notes.

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

($ millions) December 31, 2022	Expiry	Total facilities	Banking Commercial paper issued	Letters of credit issued and other facility draws	Net amounts available
Committed					
Syndicated bank credit facility[1]	November 2027	$ 750			
Bank credit facility[1]	November 2025	200			
Bank credit facility[1]	May 2026	150		$ 32	
Total committed		$ 1,100	$ 385	$ 32	$ 683
Uncommitted					
Bank credit facilities[2]	No expiry	240	-	236	4
Bank credit facility	No expiry	25	-	-	25
Total uncommitted		265	-	236	29
Total credit facilities		**$ 1,365**	**$ 385**	**$ 268**	**$ 712**

($ millions) December 31, 2021	Expiry	Total facilities	Banking Commercial paper issued	Letters of credit Issued and other facility draws	Net amounts available
Committed					
Syndicated bank credit facility[1]	November 2026	$ 600			
Bank credit facility[1]	March 2024	200			
Total committed		$ 800	$ 256	$ -	$ 544
Uncommitted					
Bank credit facilities[2]	No expiry	200	-	134	66
Bank credit facility	No expiry	25	-	-	25
Total uncommitted		225	-	134	91
Total credit facilities		**$ 1,025**	**$ 256**	**$ 134**	**$ 635**

[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, 2022, commercial paper totalling $385 million (2021 - $256 million) and letters of credit totalling $32 million (2021 - $nil) were issued and outstanding.

[2] The Company's uncommitted bank credit facility consists of six bilateral credit facilities (totalling $240 million) (2021 – five credit facilities totalling $200 million) which are restricted to letters of credit. At December 31, 2022, letters of credit totalling $236 million have been issued and outstanding (December 31, 2021 - $134 million) to meet the credit requirements of electricity market participants and to meet conditions of certain service agreements.

The Company has a Canadian base shelf prospectus under which it may raise up to $2 billion of debt with maturities of not less than one year. At December 31, 2022, the available amount remaining under this base shelf prospectus was $1.55 billion (December 31, 2021 - $2 billion). The Canadian base shelf prospectus expires in January 2024.

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

Years ended December 31,	**2022**	**2021**	**2020**
Credit ratings			
S&P Global Ratings:			
Long-term debt	A-	A-	A-
DBRS Morningstar:			
Short-term debt	R-1 (low)	R-1 (low)	R-1 (low)
Long-term debt	A (low)	A (low)	A (low)

In September 2022, S&P Global Ratings confirmed its A- / stable long-term corporate credit and senior unsecured debt ratings for EPCOR. In October 2022, DBRS Morningstar confirmed its A (low) / stable senior unsecured debt and R-1 (low) / stable short-term 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 public medium-term notes 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 publicly issued medium-term notes 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, 2022 and 2021 were as follows:

	Actual 2022	**Financial Covenant 2022**	**Actual 2021**	**Financial Covenant 2021**
Modified consolidated net tangible assets to consolidated net tangible assets[1]	100%	> or = 80%	100%	> or = 80%
Consolidated senior debt to consolidated capitalization ratio[2]	52%	< or = 75%	51%	< or = 75%
Interest coverage ratio[3]	5.26	> or = 1.75:1.00	4.76	> or = 1.75:1.00
Debt issued by subsidiaries to consolidated net tangible assets[4]	0.1%	< or = 12.5%	0.1%	< or = 12.5%

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 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

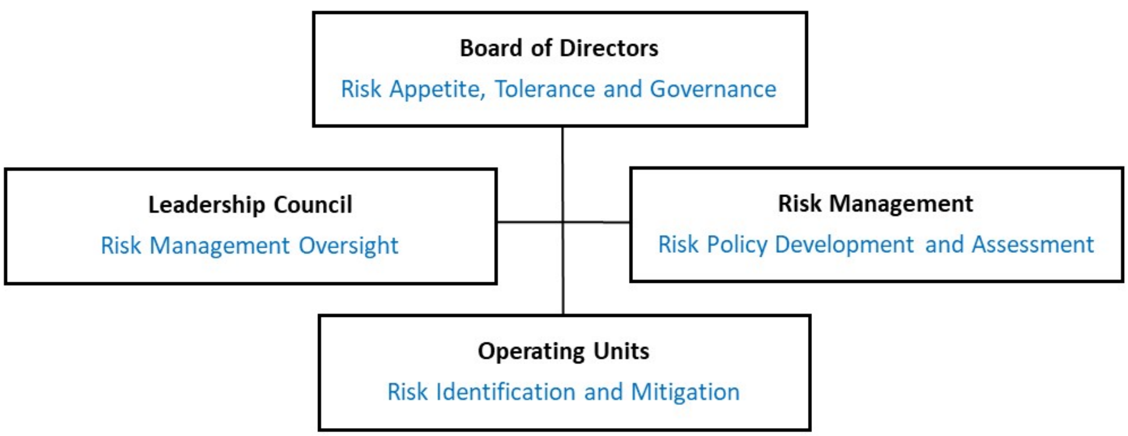
In 2023, EPCOR will focus on the expansion and construction of wastewater treatment plants, the construction of a water treatment plant at Darlington and will continue to target growth in rate-regulated and contracted water, wastewater, electricity and natural gas infrastructure. We expect much of this investment to come from new infrastructure, acquisition of new customers, and lifecycle replacement of existing infrastructure primarily related to the Edmonton and U.S. based operations. The Company also intends to expand its water and electricity commercial services activities and to invest in renewable energy generation, including solar and biogas facilities, which will help reduce greenhouse gas emissions

As noted in the significant events section on page 3, during the year ended December 31, 2022 the Company entered into PSAs with SAS to carry out early works for Projects Blue Sky and Sandow. The Company also signed a PA for Project Sandow to carry out the remaining work to design, build, operate, maintain and transfer the project assets to SAS at the end of the 30 year term.

On December 16, 2021, EPCOR entered into a 30-year agreement with Ontario Power Generation to design, construct, finance and operate a demineralized water treatment plant at Darlington to provide ultra-pure demineralized water. As of December 31, 2022, design of the facility has been completed, construction has commenced and the facility is anticipated to be completed in 2023, with a stated contract term for operations and maintenance of the facility to 2053.

RISK FACTORS AND RISK MANAGEMENT

Approach to risk management



Our approach to Enterprise Risk Management (ERM) is to manage the key controllable risks facing the Company and consider appropriate actions to respond to uncontrollable risks. ERM includes the controls and procedures implemented to reduce controllable risks to acceptable levels and the identification of the appropriate management actions in the case of events occurring outside of management's control. 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. EPCOR's ERM program and the risk management framework and process it supports is 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 through better management of risk. 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 in the decisions and Board-approved corporate policies associated with risk management. Oversight of the Company's strategy and ERM framework to identify, monitor and report EPCOR's top strategic and operational risks, including those that are climate-change related, is provided by the Board of Directors. 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 Director, Audit and Risk Management is responsible for developing the framework and assessing risk at an enterprise level and monitors effectiveness of risk mitigating controls and conformance with risk management policies through the internal audit function. The Director, Audit and Risk Management provides the Board of Directors with an enterprise risk assessment quarterly. The Company's operating units, 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 risk management activities 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 we have cost-effective risk management practices in place. At the same time, EPCOR views risk management as an ongoing process and we continually review our risks and look for ways to enhance our risk management processes.

Large scale emergencies resulting from various events discussed below may have a significant impact on the Company's ability to provide services that are considered essential to the public. Maintaining essential services is critical to EPCOR's customers and EPCOR's reputation. The Company manages its ability to continually deliver services with emergency response protocols and business continuity plans which are periodically tested through various exercises and scenarios. These procedures provide assurance that the Company has the coordination, capacity and competence to respond appropriately to emergency situations arising from various forms of risk.

Among other things, the Company's Ethics Policy includes procedures which provide for confidential disclosure of any wrong-doing relating to accounting, financial reporting and auditing matters. The policy prohibits retaliation against any person making a complaint. During 2022, no significant substantiated complaints with respect to accounting, financial reporting or auditing matters were received.

The Company's principal risks are outlined below in order of most to least potentially serious, as assessed at December 31, 2022. Since December 31, 2021, new risks have been added, relative rankings of certain risks have been revised and commentaries have been amended, reflecting the evolving nature of the Company's risk exposure.

Political and Legislative Changes

EPCOR is subject to risks associated with changing political conditions and changes in federal, provincial, state, or municipal laws, regulations and permitting requirements in Canada and the U.S. It is not always possible to predict changes in laws or regulations that could impact the Company's operations, profitability, income tax status or ability to renew permits and licenses as required.

The Company owns utilities that provide services to municipalities in Canada and the U.S. Although the Company is granted exclusive rights to operate in the municipalities through franchise agreements and certificates of convenience and necessity, the municipalities may exercise their rights under legislation to expropriate the utilities at fair value, subject to a special vote to do so.

EPCOR is a municipally controlled corporation of the City. The *Modernized Municipal Government Act* (MGA) contains provisions which could restrict EPCOR's ability to conduct its business and achieve its strategic objectives.

The Municipally Controlled Corporations Regulation (MCC Regulation), which exempts EPCOR from the MGA expires periodically and is scheduled to next expire on June 30, 2028. If the MCC Regulation is not extended, then the Company could become subject to the provisions of the MGA. In advance of the MCC Regulation's next expiry, EPCOR will work with the Government of Alberta to extend the exemption past June 30, 2028, or to permanently exempt EPCOR from the MGA.

EPCOR maintains an open dialogue with all levels of government in order to stay abreast of emerging issues including, but not limited to, proposed changes in legislation or government sentiment towards utility ownership in order to mitigate the Company's exposure to political and legislative risk.

Regulatory

The majority of EPCOR's operations are subject to risks associated with the regulation of utility rates. Such processes can result in significant lags between the time that customer rates or tariffs are applied for and the time that regulatory decisions are received. Furthermore, the regulator may deny or alter the applied-for customer rates or tariffs.

EPCOR's water treatment and distribution services and wastewater treatment services to customers within Edmonton are rate regulated by Edmonton City Council pursuant to the Edmonton water and wastewater Bylaw. EPCOR's sanitary and stormwater collection services to customers within Edmonton are rate regulated by Edmonton City Council pursuant to the Drainage Bylaw. Our 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.

The AUC utilizes a Performance Based Regulation structure for distribution utilities in Alberta. Under the Performance Based Regulation framework, which was revised effective January 1, 2018, EPCOR's annual electricity distribution rates are set by a formula that is generally equal to last year's rates plus an inflation factor less a productivity factor plus a provision for additional approved capital additions. Approval of certain additional capital projects may be applied for annually in a separate capital application, however, the criteria for qualifying projects is stricter than under the previous Performance Based Regulation framework. Our 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 Performance Based Regulation formula or approved in a separate capital application.

The AUC sets rates intended to permit EPCOR's regulated electricity transmission business to recover forecast costs of providing service plus earn a fair return on capital invested in the business. The AUC sets rates intended also to permit the regulated Energy Services' RRO customer services business to recover forecast costs of providing service plus earn a return margin. The Alberta government has mandated an RRO customer rate ceiling from January 2023 to March 2023 which will be funded by interest free loans to RRO providers and repaid by customers in the following 21 months. In 2023, the Government of Alberta will be undertaking a review of the RRO, including consideration of an approach to and implications of the potential future phase out of the RRO. EPCOR and other stakeholders will have opportunities to participate in the review.

Water, wastewater and natural gas services provided by EPCOR's U.S. subsidiaries are regulated by the state regulatory commissions within Arizona, New Mexico and Texas. Our ability to fully recover operating and capital costs and earn a fair return is dependent upon EPCOR's ability to achieve our capital and operating cost, 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, wastewater or natural gas 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.

Physical Impacts of Weather and Climate-change

Acute impacts

Normal weather can have a significant impact on our operations. Melting snow, freeze / thaw cycles and seasonal precipitation in the North Saskatchewan River watershed affect the quality of water entering our Edmonton water treatment plants and the resulting cost of purification. Climate-change could cause extreme weather events such as urban flooding, ice and electrical storms, and high winds resulting in damage to the Company's electricity transmission and distribution system assets, temporarily disrupting the reliable supply of power to customers. In Edmonton, urban flooding could also result in damage to the Company's reputation and increase exposure to legal action, where EPCOR is responsible for stormwater management. EPCOR has developed a long-term SIRP for Edmonton that will prioritize infrastructure investments to help mitigate the impact of urban flooding events.

Extreme heat is not considered to have a significant adverse effect on the majority of EPCOR assets and business, other than the suspension of outdoor work at peak heat times, due to concerns for the safety of the employees. However, as temperature rises, the efficiency of electrical equipment decreases, which puts a strain on the electricity operations in Alberta and Ontario and British Columbia. Wildfires and high wind events associated with summer and fall storms have historically occurred in Alberta, Ontario and British Columbia, and it is believed that their frequency and intensity are increasing. Electricity operations are the most vulnerable to these events, and the potential outcomes could include collapse of lines and structures, and extended outages.

Unseasonal temperature changes can cause water main breaks, temporarily disrupting the reliable supply of water to customers. Severe cold temperatures can cause natural gas distribution lines to freeze if moisture is present in the natural gas or the main pipelines, disrupting service to customers.

Flooding of the North Saskatchewan River valley could damage electrical equipment in our three large treatment plants and two electricity substations and result in a loss of income due to the facilities being inoperable for an extended period of time to perform repairs. EPCOR has developed a plan to mitigate the Company's exposure to flooding of the North Saskatchewan River valley including engineered solutions, some of which have already been employed.

Chronic impacts

Climate-change in the form of long-term shifts in weather patterns could result in drought conditions reducing source water supply, particularly in the desert region of the Southwestern U.S. where EPCOR's water sales comprise 7% of the Company's total revenues. In August 2022, under a Lower Basin Drought Contingency Plan involving Arizona, Nevada and California, the United States Bureau of Reclamation activated mandatory reductions in water deliveries in which Arizona's allocation of water to supply the Central Arizona Project, which delivers water by canal to Phoenix, Tucson and other areas, was reduced by 21% effective January 1, 2023. In Arizona, a number of water management and supply augmentation strategies are employed to mitigate the risk of water supply shortage including enacting some very progressive policies to protect groundwater supplies. EPCOR actively manages its sources of water including replenishing reserves by injecting water into its wells when opportunity arises and working with regulators on rate rebalancing to mitigate the effects of declining consumption should it occur.

Climate-change could also result in increased precipitation and cooler temperatures during summer months, reducing customer demand for water and electricity, or increased temperatures during winter months, reducing customer demand for natural gas. Increased precipitation could also adversely affect turbidity levels in the North Saskatchewan River and impact EPCOR's ability to produce potable water in an economical and sustainable manner. High temperatures during summer months could result in wildfires, damaging assets and disrupting services to customers, although the majority of the Company's operations are in urban municipalities rather than heavily forested rural areas more exposed to wildfires.

Transitional impacts

Financial exposures associated with climate-related events are partly mitigated through our insurance programs, however there is no guarantee that insurance covering climate-related events will continue to be available to the Company. Due to the number of catastrophic events in the past few years and the magnitude of losses incurred by the insurance industry, insurers have begun to limit and eliminate coverage for high risk climate-related or climate-change related events such as flooding, wildfires, etc. Water conservation could lead to lower EPCOR revenues initially, but could also result in an opportunity for the Company to invest in water re-use infrastructure in the longer term.

Environmental and utility regulators are increasingly concerned with and requiring measures by utility companies to address emissions and mitigate other climate change factors. However, to date there have only been limited consideration by utility regulators regarding the recoverability of costs related to the foregoing and the effects of extreme weather and other climate change. This is compounded by the fact that the Company operates in several jurisdictions each with a different regulator. Recoverability of capital and operating costs related to response to acute weather and other climate conditions and also in preparation for chronic weather changes, including increased infrastructure resiliency, have not as yet been significantly tested before most utility regulators.

Changes in climate change policy and social perceptions and expectations may also change customer behavior and expectations, such as reduced per-household water, electricity or natural gas consumption. These changes could reduce customer demand and therefore revenue to the Company. Failure to address customer expectations regarding climate change could also adversely affect EPCOR's reputation.

The introduction of and / or demand for technology change related to climate change factors also presents risks to the Company. As the electrification of public and private transportation continues, the transmission grid and other electrical assets will need to be upgraded or replaced in order to accommodate the associated increase in electrical demand. Refer to the Technological Change Section for further information.

Failure to Attract, Retain or Develop Top Talent

Our ability to successfully operate and grow the business is dependent upon attracting, retaining and developing sufficient labor and management resources.

The Company realizes it must continually adapt to the changing views and expectations of the workforce and that failing to adapt could result in lower engagement levels and high staff turnover or limit the Company's ability to attract new employees. As a result, in 2022 the Company implemented its flexible work program offering employees flexible working arrangements, including the ability to work remotely, to the extent it does not impair their ability to perform their duties. However, there is no certainty that the Company's flexible work program will provide employees with the level of flexibility they are seeking and they may inevitably become disengaged and pursue employment with other employers. In addition, a permanently reduced level of in-person interaction and collaboration between employees may diminish the sense of belonging to the EPCOR team and erode the Company's culture and employees' loyalty towards the Company.

We will continue to monitor developments and review our human resource strategies so that we have an adequate supply of labor and management. We believe that we employ good human resource practices and in 2022, Mediacorp Canada Inc. again named EPCOR a top 75 employer in Alberta and one of Canada's Top Employers for Young People. As well in 2022, the Phoenix Business Journal again named EPCOR as one of the best places to work.

Cybersecurity

We use several key information technology systems to support our core operations, including industrial control systems and 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, extortion or otherwise disrupt operations. We take measures to reduce the risk of malicious attack or failure of these systems including the data, hardware and network infrastructure on which the systems operate.

EPCOR's security program is based on the ISO 27002 control framework. In applying this framework, EPCOR has implemented a series of complementary defense mechanisms, starting from the external information technology perimeter down to the end user. Each layer is designed to prevent, detect and report on malicious activity. We regularly monitor our information technology protection systems and periodically employ third-party security providers to test the systems' effectiveness and to strengthen the systems as new cyber threats arise. Financial exposures associated with cyber-attacks are partly mitigated through our insurance programs.

Due to increased cyber security threats from malicious actors exploiting the world's heightened vulnerability during the COVID-19 outbreak, the Company implemented additional controls and precautionary measures to protect against cyber-attacks and prevent fraud.

Business Interruption

Interruption of EPCOR's operations including plant equipment, electricity transmission or distribution equipment, water or natural gas pipelines, sanitary and stormwater collection systems or any of the industrial control systems utilized throughout operations could result from failure of critical equipment or infrastructure, accidental actions, natural occurrences or intentional acts such as terrorism or sabotage. In addition, the quality of raw source water can be affected by such things as hydrocarbons and other inorganic or organic contaminants entering water ways and aquifers. Depending on the type and concentration of the contaminant, their removal may be beyond the capabilities of water treatment plant processes, resulting in the water treatment plant being shut down until the contaminants become diluted to the point where they can be treated within the water treatment plant capabilities.

An extended outage could result in lost revenues or additional costs to resume operations, including repair costs. This risk is managed through inherent redundancy and sound maintenance practices. Our maintenance practices are augmented by an inventory of strategic spare parts which can reduce down-time considerably in the event of equipment failure. We also have emergency response and business continuity plans which we exercise regularly. In addition, maintenance and capital plans are determined annually based on rigorous assessment of equipment and by continually monitoring the condition of assets.

Although all of our operations have historically performed in accordance with expectations, there can be no assurance that they will continue to do so. The Company's emergency response protocols are designed to ensure EPCOR can expeditiously resume operations following a business interruption. The Company's business continuity plans aim to enable EPCOR to continue providing critical services to customers in the event of a crisis. Financial exposures associated with business interruption are partly mitigated through our insurance programs.

Project Delivery

Development, construction and acquisition of water and wastewater treatment, sanitary and stormwater, electricity transmission and distribution, and natural gas infrastructure, including projects undertaken by the Company under design-build-finance-operate or other similar commercial arrangements with third parties, are subject to various engineering, construction, stakeholder, government, environmental and valuation risks. These risks can translate into performance issues, delays and cost overruns. Project delays may defer expected revenues, and project cost overruns could make projects uneconomic. Many of the water, wastewater and natural gas growth projects currently pursued by the Company require design and construction capabilities that are provided by third parties. In order to pursue these projects, strategic partnerships have been established with reputable firms with proven abilities to successfully design and construct infrastructure projects. Should these partnerships dissolve or no longer be recognized by the market as a viable approach, the Company's growth plans could potentially be curtailed.

We attempt to mitigate project delivery risks by performing detailed project analysis and due diligence prior to and during development, construction or acquisition, and by entering into appropriate contracts with qualified design engineers and construction contractors for various services to be provided as required. Our ability to complete projects successfully depends upon numerous factors such as weather, availability of materials and skilled labor, strikes, regulatory matters, etc.

Supply Chain

The Company relies on the third-party supply of goods and services in its day-to-day operations including the construction of new facilities. Events such as cyber or terrorist attack, geopolitical actions such as Russia's attack on the Ukraine, shortage of labor or materials, shipping constraints, energy shortage, labor dispute, severe weather or natural disaster, bankruptcy or credit crisis, pandemics such as COVID-19, etc. could impact the Company's suppliers and disrupt supply of key goods and services relied upon by the Company. As supply chains become increasingly global, they are more interconnected, interdependent and vulnerable to broad disruption from isolated events.

Disruption of the Company's supply chain could impact the Company in a number of ways, the most significant of which include: interruption of services to EPCOR customers if parts critical to perform repairs and maintenance are unattainable when needed; delays in the construction of new facilities, deferring the Company's realization of income or any other benefits to be derived from the facilities; 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 by third party power generators for EPCOR to sell and distribute to customers and use to power the systems that treat and distribute potable water to customers, and convey and treat wastewater.

The Company closely monitors supply of key goods and services and applies a number of mitigating strategies to minimize the impact of supply chain challenges including; formalizing arrangements with alternate suppliers of key goods and services; maintaining higher inventories of critical supplies in order to mitigate unexpected delays in delivery; placing orders earlier than normal to offset known extended delivery lead times; etc. These strategies have allowed the Company to mitigate the supply chain effects resulting from the COVID-19 pandemic and Russia's attack on the Ukraine. However, continued supply shortages could have a greater impact on the Company going forward.

Reputational Damage and Stakeholder Activism

The Company is exposed to a number of risks that could damage its reputation as a safe, trusted and reliable utility operator and provider of environmentally friendly utility products and services, as well as, a safe, respectful employer. A damaged reputation could impair the Company's ability to sell its competitive products and services and to attract and retain employees.

Utilities are increasingly being challenged by external stakeholder activists on climate change, utility rates, environmental matters, etc. leading to public opposition to infrastructure projects. A lack of social license could impair the Company's ability to execute its capital expenditure programs necessary for the continued provision of safe, reliable utility services or achievement of strategic objectives. Risk of reputational damage and stakeholder activism is exacerbated by social media and the speed at which news stories and rumors can be spread or public opposition can develop.

EPCOR has controls and strategies in place to mitigate the exposure to the various risks that could result in damage to EPCOR's reputation should an event occur. The Company proactively maintains positive and transparent relationships with stakeholders. In addition, EPCOR communicates with stakeholders and the media when issues first arise and actively monitors social media in order to address reputational matters before they escalate.

Health and Safety

The Company is responsible for ensuring that the potable water it sells to customers is safe to drink. The ability of the water treatment plants to meet potable water quality standards is dependent on continuous water testing in order to ensure that the prescribed requirements under regulation or conventional industry standards are met. EPCOR performs continuous and rigorous quality control testing of water purification, consistent with government and industry standards, to prevent public health issues due to inadequately treated, stored or distributed drinking water. Failure to properly maintain fully functioning treatment and measurement systems could result in regulatory fines or the occurrence of public health issues.

Drinking water quality for EPCOR's Alberta operations is regulated by the provincial Environmental Protection and Enhancement Act (EPEA). Regulation under the EPEA takes the form of an "Approval to Operate" which, among other things, specifies the quality of the treated water, the number, frequency and form of water quality testing, as well as, mandatory standards for the water treatment process. The drinking water quality requirements in Alberta meet or exceed the National Guidelines for Canadian Drinking Water Quality recommended by Health Canada.

Raw water quality is an important factor in the treatment of potable water. In Edmonton, we obtain source water from the North Saskatchewan River to treat and sell to customers in the greater Edmonton area. The North Saskatchewan Watershed Alliance, among other things, aims to protect and improve North Saskatchewan River water quality by developing and sharing knowledge and facilitating workshops with members and interested parties.

Drinking water quality and wastewater standards for EPCOR's U.S. operations are regulated by the U.S. Environmental Protection Agency (U.S. EPA) under the Safe Drinking Water Act and Clean Water Act, respectively. Among other things, the U.S. EPA sets drinking water standards specifying the treatment, source water protection, operator training and funding for water system improvement and relies on the states and localities to carry out the standards. Oversight of water and wastewater systems is conducted by state and county authorities to the degree that they establish standards at least as stringent as the U.S. EPA's standards.

In Arizona, we obtain source water from surface and ground water sources to treat and sell to customers. Surface water primarily comes from the Central Arizona Project. The Central Arizona Project conducts water quality testing upstream of the take-off points and has a formal process in place to notify our Arizona operations of any water quality issues that may arise. Process and compliance sampling results are stringently analyzed and trended for all groundwater and surface water systems in Arizona and New Mexico to ensure systems continue to meet all regulatory standards. Each system in Arizona and New Mexico has an emergency operations plan which addresses water quality issues and provides further risk mitigation.

There are no formal watershed protection groups in the Arizona and New Mexico service areas. The Arizona Department of Environmental Quality and New Mexico Environment Department oversee the water systems in their respective states. In Texas, the Texas Commission on Environmental Quality and the Texas State Soil and Water Conservation Board support the development and implementation of watershed protection plans. Water wells in Arizona, New Mexico and Texas are protected from contamination by proper well construction and system operation and management.

Our operations have hazardous chemicals, high voltage electricity and natural gas transmission and distribution systems located in close proximity to populated areas and a significant incident could result in injury to the public, our employees or on-site suppliers. We manage occupational health and safety risks through a management system and measure occupational health and safety performance against recognized industry and internal performance measures. We conduct external compliance and internal conformance audits to verify that we meet or exceed all regulatory requirements. We are committed to working with industry partners to share and improve health and safety practices within the industry. At the end of 2022, all of our Edmonton water, wastewater, sanitary and stormwater, and electricity transmission and distribution operations were ISO 45001 registered. In 2021, our White Tanks water treatment operations in Arizona was recognized for exemplary achievement in the prevention and control of occupational health and safety hazards under the U.S. Occupational Safety and Health Administration's Voluntary Protection Program (VPP). In 2022, our Anthem water treatment operation in Arizona was also recognized for the same exemplary achievement under the VPP.

Actual Performance Compared to Approved Revenue Requirement

The majority of EPCOR's businesses are rate-regulated. The rate-setting process requires the Company to forecast its revenue requirement for each business' test period based on factors such as projected water and electricity sales volumes, operating expenses, financing expense, etc. If the business is unable to achieve its forecasts, for example due to lower than projected water volumes or higher operating expenses due to higher than forecast inflation , then the Company's actual financial results could be adversely affected, resulting in lower net income and cash flow, and reduced financial condition, causing the business to perform below the regulator-allowed ROE until the business' revised revenue requirement is approved by the regulator for the next test period, which could be up to several years in the future.

The Company's rate-regulated businesses monitor their actual performance against the various factors forecast in their approved revenue requirements and make operating decisions that results in cost reductions, where it is safe and prudent to do so in order to recover or offset any shortfall between actual and forecast revenues and / or expenses. It is not always possible to achieve the regulator-allowed return. Rising inflation and interest rates exceeding what is reflected in EPCOR's regulated revenue requirements is a temporary effect until the Company files its next rate applications with higher revenue requirements to cover the increased costs and higher cost of capital.

Credit

Credit risk is the possible financial loss resulting from the inability of counterparties to satisfy their contractual obligations to EPCOR. Exposures to credit risk in our rate-regulated and non-rated-regulated businesses are generally limited to amounts due from customers for goods and services provided but not yet paid for.

Exposure to credit risk associated with design-build-finance-operate and other similar commercial arrangements relates to the counterparties failing to satisfy their contractual obligations to pay the Company for the design, construction, financing and operating costs of their facilities. The exposure to credit risk associated with these arrangements is typically commensurate with the complexity and size of the projects, such as Projects Sandow and Blue Sky. The Company performs extensive credit reviews of the counterparties and seeks various forms of security to at least partially mitigate the credit risk. The exposure to credit risk is often considered to be lower with a government counterparty than with a private counterparty.

Exposure to credit risk for residential RRO customers and commercial utility customers under default electricity supply rates are generally limited to amounts due from customers for electricity consumed but not yet paid for. This portfolio is reasonably well diversified with no significant credit concentrations. Historically, credit losses in these customer segments have not been significant and depend in large part on the strength of the economy and the ability of the customers to effectively manage their financial affairs through economic cycles.

EPCOR's exposure to RRO 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.

($ millions) **December 31,**		**2022**		**2021**
RRO and default supply customers	$	219	$	181

The year-over-year increase in exposure primarily relates to higher commodity prices.

EPCOR is also exposed to the risk of non-payment for water, electricity transmission and distribution, natural gas, and sanitary and stormwater services provided to rate-regulated and non-regulated customers, as summarized below. Exposures represent the accounts receivable value for this portfolio, which is managed at the gross exposure level rather than by individual customer account, excluding receivables related to electricity transmission and distribution which are managed at individual customer level.

($ millions) **December 31,**		**2022**		**2021**
Unrated customers	$	319	$	242
Rated customers[1]		73		94

1 Rated customers having investment grade credit ratings are based on the Company's internal criteria and analyses, which take into account, among other factors, the investment grade ratings issued by external credit rating agencies when available.

EPCOR's credit risks are governed by a Board-approved credit risk management policy, which is administered by EPCOR's Treasurer.

We manage credit risk and limit exposures through our credit policies and procedures. These include an established credit review, rating and monitoring process, specific terms and limits, appropriate allowance provisioning and use of credit mitigation strategies, including collateral arrangements. The Company assesses the credit risk for all high value customers to ensure heightened credit risk for identified customers is mitigated through additional security or other collateral arrangements.

Electricity is considered an essential service and regulations limit what actions the Company can apply to address delinquent accounts and therefore, EPCOR may experience credit losses in the future should economic conditions deteriorate.

Public Health Crisis

EPCOR is exposed to various potential effects that could result from a public health crisis such as an epidemic or pandemic like the COVID-19 outbreak. The potential short-term effects on the Company of a public health crisis include: failure to maintain continuity of service to customers due to a shortage of available employees and / or key supplies required to maintain operations should measures implemented to reduce spread of an outbreak be unsuccessful; and lower net income due to lower revenues primarily from commercial customers, increased credit losses from customers, costs incurred to mitigate risks of the outbreak and lower capitalization of operating costs due to reduced capital activity.

The Company could experience longer term effects due to failed economic recovery following the end of any outbreak, including: sustained decline in revenues, income and cash flows; operational challenges due to failure of the Company's supply chain relied upon for key parts, supplies and services; a credit rating downgrade leading to increased borrowing costs which in turn, could result in goodwill impairment or make the Company's cost of capital less competitive and limit growth potential.

The extent of the Company's exposure to the effects of a public health crisis is dependent upon a number of factors including, but not limited to: the spread, mortality rate and duration of the outbreak, including the length of time any mitigating measures are to be applied as recommended by healthcare experts or required under government order;

the time required to develop and administer antibiotics or vaccines, and their efficacy; impact on customers, capital markets and the economy; ability of the Company's key suppliers to maintain service continuity; government orders imposed on utilities preventing the cut-off of customers for non-payment during an outbreak or allowing customers to defer payment of their bills, for example; effectiveness of the Company's business continuity plan; and ability to mitigate the various risks.

Groundwater Contamination

The Company's U.S. operations rely on multiple sources of water to treat and sell to customers. Aquifers are one of the more significant sources of water. Aquifers are charged naturally as water moves downward from the earth's surface through rock formations to form groundwater. Under the Company's water storage and recovery program, the aquifers are also re-charged by injections of partially treated wastewater.

Groundwater can become contaminated by pollutants contained in the surface water that runs off into the aquifers or contained in the treated wastewater injected into the aquifers for re-use. The Company's existing water treatment processes may not be capable of treating certain contaminants including pharmaceuticals, personal care products or per- and polyfluoroalkyl substances (PFAS) specific to any one aquifer. This could result in the Company no longer being able to rely on that aquifer as a source of treatable water until the Company's water treatment plant capabilities can be enhanced to remove the contaminant(s), in turn resulting in scarcity of source water.

New contaminants not yet identified or confirmed as threats to public health may be present in groundwater, go untreated and be present in tap water. In Arizona and New Mexico, two aquifers have been found to be contaminated with PFAS directly linked to military operations at nearby air force bases. Accumulation of certain PFAS has been shown, through blood tests, to occur in humans and animals. While the science surrounding potential health effects of certain PFAS is developing, evidence suggests that bioaccumulation of PFAS may have adverse long-term health implications.

In June 2022, the U.S. Environmental Protection Agency (U.S. EPA) issued new and revised drinking water health advisories for PFAS. These are expected to form the basis of the U.S. EPA's draft national Primary Drinking Water regulation for PFAS. In some cases, the new and revised PFAS health advisory levels are so low that current approved laboratory analytical methods cannot detect such low concentrations. Given the Company's use of groundwater and the known existence of PFAS in the Company's aquifers, there is a high likelihood that the forthcoming regulation could impact EPCOR's U.S. operations by requiring new treatment processes to be put in place.

The Company will continue to monitor the U.S. EPA's drinking water health advisories and will adapt its treatment processes to comply with all applicable regulatory requirements.

Electricity Price and Volume

EPCOR sells electricity to RRO customers under a RRT. All electricity for the RRO customers is purchased in real time from the AESO in the spot market. Under the RRT, the quantity of electricity consumption, the method used to reduce the risk of adverse price movement for expected electricity consumption, and the electricity selling prices to be charged to these customers is determined by the EPSP. Under the EPSP, the Company uses financial contracts to mitigate the risk of adverse price movement of electricity under the RRO requirements and incorporate the price into customer rates for the applicable month. The Company enters into financial contracts-for-differences for forecasted volumes of electricity to mitigate the risk of adverse price movement up to 120 days in advance of the month in which the electricity (load) is expected to be consumed by the RRO customers. The volume of electricity is based on load (usage) forecasts for the consumption month. When consumption varies from forecast consumption patterns, EPCOR is exposed to prevailing market prices on fifty percent of the load when the volume of electricity contracted under the financial contracts-for-differences is short of actual load requirements or greater than the actual load requirements. Exposure to variances in electricity volume can be exacerbated by other events such as unexpected generation plant outages and extreme weather patterns which could impact electricity spot market prices.

Under contracts-for-differences, the Company agrees to exchange, with a counterparty meeting the Company's credit risk parameters, the difference between the AESO electricity spot market price and the fixed contract price for a forecasted volume of electricity, all in accordance with the EPSP. The contracts-for-differences are referenced to the AESO electricity spot price and any movement in the AESO price results in changes in the contract settlement amount.

If the risks of the EPSP were to become untenable, EPCOR could test the market and potentially re-contract the procurement risk under an outsourcing arrangement at a certain cost that would likely increase procurement costs and reduce margins. The Company may enter into additional financial electricity purchase contracts outside the EPSP to further economically hedge the price of electricity.

Environmental

There are a variety of environmental risks associated with EPCOR's water, wastewater, electricity, natural gas, sanitary and stormwater operations. EPCOR's operations are subject to federal, provincial and municipal laws, regulations and operating approvals which are designed to reduce the impacts on the environment. Failure to comply could subject the Company to fines or other penalties. In addition, the presence or release of hazardous or other harmful substances or other environmental incident could result in spills or emissions in excess of those permitted by law, regulations or operating approvals or lead to claims by third parties or governmental orders requiring the Company to take specific actions such as investigating, controlling and remediating the effects of these substances.

Furthermore, an environmental event could materially and adversely impact EPCOR's business, prospects, reputation, financial condition, operations or cash flow.

Environmental risks associated with water and wastewater treatment and sanitary and stormwater collection operations include wastewater discharge, biogas release and residuals management. EPCOR's wastewater treatment operations are regulated by stringent wastewater treatment standards and controls covering quality of treated wastewater effluent. Water and wastewater treatment technologies and supporting processes are continuing to evolve and are influenced by more stringent regulation and environmental challenges. Failure to identify and deploy viable new technologies to meet changing regulations and new challenges could undermine the competitiveness of EPCOR's market position and exclude it from some market opportunities.

Risks associated with electricity transmission and distribution operations include the unintended environmental release of substances such as oil from its oil-filled pipe-type cable and polychlorinated biphenyl transformer fluid from transformers.

The primary sources of EPCOR's greenhouse gas emissions relate to powering and heating our treatment plants, building facilities, powering pumps that transport and distribute water, and operating our vehicle and equipment fleet. The Company is proactive in seeking ways to reduce its greenhouse gas footprint and commissioned the kīsikāw pīsim solar farm in the fall of 2022. As noted on page 24, the Company has also signed a long-term agreement to purchase RECs from a renewable energy source commencing in 2023. Together, these two initiatives are expected to significantly reduce EPCOR's net greenhouse gas emissions.

Compliance with future environmental legislation may require material capital and operating expenditures. Failure to comply could result in fines and penalties or the regulator could force the curtailment of operations. There can be no assurances that compliance with or changes to environmental legislation will not materially and adversely impact EPCOR's business, prospects, financial condition, operations, net income or cash flows.

To the best of our knowledge we comply, in all material respects, with the laws, regulations and operating approvals affecting our facilities, and we minimize the potential for environmental incidents by applying an environmental management system based on the ISO 14001 standard. The scope of the environmental management system encompasses the Company's environmental policy, objectives, processes, procedures, training and stewardship of our environmental responsibility. We require each facility to have an environmental emergency response plan. Each plant and facility is also subject to third party environmental audits to help ensure conformance with the EPCOR HSE management system and compliance with all regulations. In 2022, EPCOR was again recognized as one of the Best 50 Corporate Citizens in Canada in relation to sustainability and environmental protection. At the end of 2022, our Regina wastewater treatment operations, Chestermere water distribution and wastewater collection operations, Kananaskis water and wastewater treatment operations, Britannia mine water run-off operations and Strathmore water and wastewater systems in addition to all of our Edmonton water, wastewater, sanitary and stormwater, and electricity transmission and distribution operations, remain ISO 14001 registered.

Labor Disruption

Most of the Company's Canadian employees are members of labor unions under a number of collective bargaining agreements. Although EPCOR maintains working relationships with each of the labor unions, the inability to maintain those relationships or renew collective bargaining agreements with terms that are acceptable to the Company could result in labor disputes potentially leading to service interruption or higher labor costs than what is reflected in approved customer rates.

New Business Integration

EPCOR plans to grow its utility infrastructure business across various investment types and North American geographies. The Company has been accomplishing this growth through expansion into the natural gas distribution and sanitary and stormwater collection utility businesses, as well as, entry into new geographies. Expanding its utility infrastructure offerings and geographies will help diversify the Company's investments and thereby reduce investment risk.

While EPCOR has experience and expertise in linear utility infrastructure, natural gas distribution and large sanitary and storm water collection systems are relatively new to us. Expanding into new utility industries introduces risk to the Company due to potential unfamiliarity with the associated operational, safety and regulatory aspects of these businesses in addition to the risks associated with integrating these and other new businesses into EPCOR.

The Company continues to integrate into its U.S. operations, the Johnson Utilities LLC business which was acquired in January 2021. The integration includes the requirement to bring the utility into compliance with certain Arizona Department of Environmental Quality requirements by various dates extending to December 31, 2025. Failing to successfully integrate new businesses could have long-term adverse effects on the Company, including reputational impact. The Company has successfully integrated all of its new businesses acquired in Canada and the Southwestern U.S. over the past 12 years and applies the learnings from each one to ensure future business integrations are carefully planned and successfully executed.

Financial Liquidity

EPCOR'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, the Company 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 Company'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.

Furthermore, if 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 for its operations could have a material adverse effect on the Company's business, prospects and financial condition. Detailed discussion of EPCOR's sources of liquidity is included in the Operating Activities and Liquidity section of this MD&A.

The Company manages liquidity risk through regular monitoring of cash and currency requirements by preparing short-term and long-term cash flow forecasts and also by matching the maturity profiles of financial assets and liabilities to identify financing requirements. In addition, the Company maintains access to a number of capital sources including the Canadian public debt and commercial paper markets, the U.S. private debt market and the various banks comprising the Company's syndicated bank credit facility. EPCOR's financial risks are governed by a Board-approved financial exposure management policy, which is administered by EPCOR's Treasurer.

Foreign Exchange

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

The Company's financial exposure management policy attempts to minimize economic and material transactional exposures arising from movements in the Canadian dollar relative to the U.S. dollar or other foreign currencies. The Company's direct exposure to foreign exchange risk arises from its U.S. operations and on Canadian capital expenditure commitments denominated in U.S. dollars or other foreign currencies. The Company coordinates and manages foreign exchange risk centrally, by identifying and measuring movements in normally opposing cash flows (i.e. revenues versus expenses) or balances (i.e. assets versus liabilities) and then dealing with any material residual foreign exchange risks. The Company's exposure to foreign exchange risk on its investment in foreign entities is partially mitigated by foreign-currency denominated financing and cross-currency interest rate swaps (CCIRS).

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

Conflicts of Interest

Certain conflicts of interest could arise as a result of EPCOR's relationship with the City, EPCOR's sole common shareholder and regulator for water and wastewater treatment, and sanitary and stormwater collection utility rates in Edmonton.

Technological Change

Technological change could impact the Company directly or indirectly depending on the nature of the technological change. New technology aimed at reducing natural gas, electricity or water consumption could directly result in lower demand for the Company's products and services. Rapid adoption of electric vehicles could strain the reliability of the Company's electricity transmission and distribution systems in the short term, but could also provide an opportunity in the longer term to invest in infrastructure to increase the capacity of EPCOR's electricity transmission and distribution systems.

The development of technology to sustainably and economically generate renewable energy at scale could significantly reduce world demand for oil and natural gas and adversely impact the oil and natural gas industry, which forms the base of the Alberta economy. This in turn could lead to a significant decline in the Alberta economy where EPCOR's operations are most extensive, indirectly resulting in lower demand for the Company's products and services as businesses close and Albertans move out of the province to seek employment elsewhere.

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. The Company is continually monitoring new technologies, dialoguing with industry peers and advisors about the potential effects of emerging technologies on the utility industry, and conducts studies on those developing or emerging technologies that could impact EPCOR specifically.

Significant Decline in the Alberta Economy

Although EPCOR's geographical footprint spans four provinces in Canada and three states in the Southwestern U.S., the Company's operations are concentrated in Alberta where the oil and natural gas industry forms the province's industrial base. Emphasis in the world to reduce greenhouse gas emissions and decarbonize energy primarily relates to reducing reliance on oil and natural gas as sources of energy, which could result in lower demand for the related products and services that drive the Alberta economy.

A significant and sustained decline in the Alberta economy could in turn reduce demand for the Company's products and services and have an adverse effect on EPCOR's financial condition and cash flows despite regulatory mechanisms designed to compensate utilities for reduced demand. In addition, a significant decline in the Alberta economy could limit future rate base growth or result in a declining rate base over time. The Significant Cash Flow and Net Income Sensitivities table at the end of this Risk Factors and Risk Management section shows the impact on the Company's cash flow and net income of changes in customer base and demand specific to EPCOR's Alberta operations.

The Company's growth strategy includes geographical diversification to reduce the concentration exposure to the Alberta market. This strategy is long-term in nature as opportunities must fit within the Company's risk appetite and align with EPCOR's strategic objectives. Over the past twelve years, the Company has been successful at diversifying its geographical footprint by expanding into Saskatchewan, Ontario and the Southwestern U.S.

General Economic Conditions, Business Environment and Other Risks

In addition to the risks described above, the following factors could materially and adversely impact EPCOR's business, prospects, financial condition, results of operations or cash flows: fluctuations in interest rates; inflation; product supply and demand; general economic and business conditions beyond those specific to Alberta as outlined above; risks associated with 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 errors; public disclosure of erroneous information; deficient risk management program and the inability to adequately identify and mitigate risks; and such other risks and uncertainties described from time to time in EPCOR's reports and filings with the Canadian Securities authorities.

Significant Cash Flow and Net Income Sensitivities

The following table outlines our estimated sensitivity to specific risk factors as at December 31, 2022. Each sensitivity factor provides a range of outcomes assuming all other factors are held constant and current risk management strategies are in place. Under normal circumstances, such sensitivity factors will not be held constant but rather, will change at the same time as other factors are changing. In addition, the degree of sensitivity to each factor will change as the Company's mix of assets and operations subject to these factors changes.

($ millions, except as otherwise noted)	**Change**	**Annual cash flow**	**Annual net income**
Related specifically to EPCOR's Alberta operations			
Increase in RRO customers	+2.0%	+1	+1
Decrease in RRO customers	-2.0%	-1	-1
Increase in Water Services segment water volumes	+5.0%	+18	+18
Decrease in Water Services segment water volumes	-5.0%	-18	-18
Related to EPCOR's U.S. operations			
Increase in U.S. Operations segment water volumes	+5.0%	+4	+4
Decrease in U.S. Operations segment water volumes	-5.0%	-4	-4

Litigation Update

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

CONTROLS AND PROCEDURES

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. 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, 2022. Based on their knowledge and exercise of reasonable diligence, they have concluded that these documents fairly present in all material respects the financial condition, results of operations and cash flows of the Company 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, 2023. The Company does not expect the implementation of these new accounting pronouncements to have a material impact on its accounting policies. As noted in the Material Accounting Policy Changes on page 5, the Company has early adopted the amendments to IAS 1 – Presentation of 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 judgments 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 judgments 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 $86 million at the end of each month in 2022 (2021 - $67 million). These estimates varied from $61 million to $135 million (2021 - $57 million to $84 million). Adjustments of estimated revenues to actual billings were $2 million (2021 - $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, asset retirement obligations and purchase price allocations for business combinations, and for determining values for certain disclosures. Significant judgment 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 2022.

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 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 judgment is applied to determine the probability that they will be recovered from future taxable income. For example, in estimating future taxable income, judgment 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 has impacted the inputs in those determinations and the resulting values. Future cash flow estimates for assessing the value-in-use of long-lived assets (cash generating units or 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 is 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 and twelve months ended December 31, 2022 and 2021, the Company's transactions in other comprehensive income included the following:

($ millions)	Three months ended December 31,		Twelve months ended December 31,	
	2022	**2021**	**2022**	**2021**
Re-measurement of net defined benefit plans	$ 18	$ 9	$ 18	$ 9
Foreign exchange gain / (loss) on U.S. denominated debt designated as a hedge of net investment in foreign operations[1]	4	2	(22)	2
Unrealized gain (loss) on derivative financial instruments designated as hedges of net investment in foreign operations[2]	6	9	7	(6)
Unrealized gain on derivative financial instruments designated as cash flow hedges[3]	2	-	9	-
Realized gain on derivative financial instruments designated as cash flow hedges[3]	-	-	17	-
Unrealized (loss) / gain on foreign currency translation	(18)	(5)	84	(6)
Other comprehensive income (loss)	**$ 12**	**$ 15**	**$ 113**	**$ (1)**

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 27) of the consolidated financial statements for the years ended December 31, 2022 and 2021.
3. During the year, the Company entered into an interest rate swap and bond forward contracts to manage its interest rate risk associated with movement in long-term Government of Canada bond rates related to planned long-term debenture issuances. These financial instruments have been designated as cash flow hedges. Accordingly, from the date of designation, mark to market gains or losses on these financial instruments are recorded in other comprehensive income. The Company settled the bond forward contracts concurrently with the issuance of long-term debentures. The $17 million gain on the bond forward contracts represents the effective portion of the hedges and has been recorded in OCI as a realized gain on cash flow hedges, which will be reclassified and recognized in net income over the 30-year period, reducing interest expense related to the long-term debentures. For more information on these cash flow hedges refer to Financial Risk Management (note 27) of the consolidated financial statements for the years ended December 31, 2022 and 2021.

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, mobile equipment services, 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 25) of the consolidated financial statements for the years ended December 31, 2022 and 2021.

QUARTERLY RESULTS

($ millions)	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022
Revenues	$ 907	$ 882	$ 555	$ 591
Expenses	756	709	420	476
Operating income	**151**	**173**	**135**	**115**
Other income	2	-	-	-
Finance expenses	(46)	(40)	(37)	(37)
Income tax expense	(14)	(14)	(5)	(4)
Net income[1,2]	**$ 93**	**$ 119**	**$ 93**	**$ 74**

($ millions)	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
Revenues	$ 590	$ 595	$ 522	$ 519
Expenses	466	459	393	429
Operating income	**124**	**136**	**129**	**90**
Other income	7	-	-	-
Finance expenses	(35)	(39)	(38)	(36)
Gain on expropriation of BHC water utility systems	20	69	-	-
Income tax recovery (expense)	(15)	(20)	(5)	1
Net income[1,2,3]	**$ 101**	**$ 146**	**$ 86**	**$ 55**

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

2 Higher net income during the quarters ended September 30, 2021 and December 31, 2021 was primarily due to the gain on expropriation of the BHC water utility systems.

3 Lower net income during the quarter ended March 31, 2021 was primarily due to extraordinary natural gas procurement costs in U.S. Operations during the winter storm Uri. Collection of extraordinary natural gas procurement costs were recorded during the quarter ended December 31, 2021.

Fourth Quarter Business Segment Information

($ millions)

Three months ended December 31, 2022

	Water Services	Distribution & Transmission	Energy Services	U.S. Operations	Other	Intersegment Elimination	Consolidated
External revenues	$ 186	$ 118	$ 249	$ 326	$ 28	$ -	$ 907
Inter-segment revenue	1	7	7	-	-	(15)	-
Revenues	187	125	256	326	28	(15)	907
Energy purchases and system access fees	-	-	167	1	14	-	182
Other raw materials and operating charges	23	9	-	247	7	(4)	282
Staff costs and employee benefits expenses	40	21	11	18	22	(3)	109
Depreciation and amortization	48	31	2	23	12	-	116
Franchise fees and property taxes	10	25	-	1	1	-	37
Other administrative expenses	10	5	8	12	3	(8)	30
Operating expenses	131	91	188	302	59	(15)	756
Operating income (loss) before corporate charges	56	34	68	24	(31)	-	151
Corporate income (charges)	(12)	(8)	(5)	(3)	28	-	-
Operating income (loss)	44	26	63	21	(3)	-	151
Other income	-	-	-	1	1	-	2
Finance recoveries (expenses)	(24)	(16)	(1)	(19)	14	-	(46)
Income tax expense	-	-	-	-	(14)	-	(14)
Net income (loss)	$ 20	$ 10	$ 62	$ 3	$ (2)	$ -	$ 93
Capital additions	$ 123	$ 97	$ -	$ 58	$ 11	$ -	$ 289

($ millions)

Three months ended December 31, 2021

	Water Services	Distribution & Transmission	Energy Services	U.S. Operations	Other	Intersegment Elimination	Consolidated
External revenues	$ 173	$ 128	$ 169	$ 95	$ 25	$ -	$ 590
Inter-segment revenue	-	6	4	-	-	(10)	-
Revenues	173	134	173	95	25	(10)	590
Energy purchases and system access fees	-	-	136	1	13	-	150
Other raw materials and operating charges	25	12	-	22	6	(2)	63
Staff costs and employee benefits expenses	39	20	10	13	17	(4)	95
Depreciation and amortization	46	26	2	16	10	-	100
Franchise fees and property taxes	9	23	-	3	-	-	35
Other administrative expenses	7	5	5	5	5	(4)	23
Operating expenses	126	86	153	60	51	(10)	466
Operating income (loss) before corporate charges	47	48	20	35	(26)	-	124
Corporate income (charges)	(9)	(6)	(5)	(1)	21	-	-
Operating income (loss)	38	42	15	34	(5)	-	124
Other income	-	-	-	7		-	7
Finance recoveries (expenses)	(20)	(16)	(1)	(10)	12	-	(35)
Gain on expropriation of the BHC water utility systems	-	-	-	20	-	-	20
Income tax expense	-	-	-	(12)	(3)	-	(15)
Net income	$ 18	$ 26	$ 14	$ 39	$ 4	$ -	$ 101
Capital additions	$ 166	$ 80	$ 1	$ 45	$ 14	$ -	$ 306

FORWARD - LOOKING INFORMATION

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

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

Forward-looking Information	Material Factors or Assumptions	Risk Factors
The Company expects to have sufficient liquidity to finance its plans and fund its obligations, including current liabilities in excess of current assets, for next twelve months.	EPCOR is able to generate the expected cash flow from operations and various means of funding remain available to the Company.	EPCOR’s operations do not generate the expected level of cash flow and / or circumstances arise, limiting or restricting the Company’s ability to access funds through the various means otherwise available.
EPCOR’s projected cash requirements for capital spending and investment for 2023 include $885 million to $1,080 million for investment in existing businesses and new business development.	EPCOR is able to complete its 2023 capital expenditure program on time and on budget and no material unplanned business or 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 by 4.5% to $185 million in 2023.	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 Company signed PSAs with SAS. The initial value of the PSAs was estimated to be $406 million (US$315 million). The amounts recognized relating to the Project Blue Sky PSAs are recoverable from SAS. During completion of the early works, the parties are working towards a definitive project agreement. On December 31, 2022 the Company signed a definitive PA for Project Sandow. Under the terms of the PA, the Company is committed to fund approximately $162 million (US$120 million) in the project during the final stages of construction.	The Company is able to complete the early design work, site investigation and procurement of long lead items satisfactorily and SAS agrees to the cost estimates and timelines for the next phase and awards the construction of Project Blue Sky to EPCOR. The Company is able to complete the remaining work to design and build Project Sandow within the required timelines.	The Company is unable to complete the early design work, site investigation procurement of long lead items within time and within reasonable costs and SAS is not satisfied with the cost estimates and timelines for the next phase and does not award the construction of Project Blue Sky to EPCOR. The Company is unable to complete the remaining work to design and build Project Sandow within the timelines agreed with SAS.

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

Material 2022 Objectives Previously Disclosed	Actual Result	Explanation of Material Differences from Objectives
EPCOR's projected cash requirements for capital spending and investment for 2022 include $725 million to $950 million for investment in existing businesses and new business development.	$920 million	Within the range
EPCOR's projected cash requirements for 2022 include $177 million for common share dividends.	$177 million	No change

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

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

GLOSSARY

ACC means Arizona Corporation Commission	**IRA** means Inflation Reduction Act
Adjusted EBITDA earnings before finance expenses, income tax recovery (expense), depreciation and amortization, changes in the fair value of derivative financial instruments, transmission system access service charge net collections, net collections of U.S. natural gas procurement costs and other unusual items	**LRT** means light rail transit
AESO means Alberta Electric System Operator	**MCC** means Municipally Controlled Corporation
AUC means the Alberta Utilities Commission	**MCC Regulations** means Municipally Controlled Corporations Regulation
BHC means Bullhead City	**MGA** means *Bill 21: the Modernized Municipal Government Act*
CCIRS means cross-currency interest rate swap	**PA** means Project Agreement
CGU means cash generating unit	**PBR** means Performance Based Regulation
CORe means Corrosion and Odour Reduction Strategy	**PFAS** means per- and polyfluoroalkyl substances

COVID-19 means novel coronavirus	**PSA** means preliminary services agreement
Darlington means Darlington Nuclear Generating station	**RCT** means Railroad Commission of Texas
Drainage means drainage utility services within the city of Edmonton	**RECs** means renewable electricity credits
E.L. Smith WTP means E.L. Smith Water Treatment Plant	**ROE** means return on equity
EPEA means Environmental Protection and Enhancement Act	**Rossdale** means Rossdale Water Treatment Plant
EPSP means Energy Price Setting Plan	**RRO** means Regulated Rate Option
ERM means Enterprise Risk Management	**RRT** means regulated rate tariff
ESG means Environmental, Social and Corporate Governance	**SAIDI** means System Average Interruption Duration Index
GCOC means General Cost of Capital	**San Tan Operations** mean water treatment and distribution and wastewater collection and treatment assets acquired from Johnson Utilities
GCOC parameters means capital structure for 2021 and 2022	**SAS** means Samsung Austin Semiconductor LLC
GOA means Government of Alberta	**SIRP** means Stormwater Integrated Resource Plan
Gold Bar means Gold Bar Wastewater Treatment Facility	**U.S. EPA** means U.S. Environmental Protection Agency
HSE means Health, Safety and Environment	**UPDP** means utility payment deferral program
IFRS means International Financial Reporting Standard(s)	**Vista Ridge** means Vista Ridge LLC
IASB means International Accounting Standards Board	**the City** means The City of Edmonton
	winter storm means winter storm Uri in Texas

ADDITIONAL INFORMATION

Additional information relating to EPCOR, including the Company's 2022 Annual Information Form, is available on SEDAR at www.sedar.com.