

Condensed Consolidated Interim Financial Statements of

**EPCOR UTILITIES INC.**

(Unaudited)

Nine months ended September 30, 2023 and 2022

**EPCOR UTILITIES INC.**

Condensed Consolidated Interim Financial Statements (unaudited)

Nine months ended September 30, 2023 and 2022

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# EPCOR UTILITIES INC.

Condensed Consolidated Interim Statements of Comprehensive Income  
(Unaudited, in millions of Canadian dollars)

Three and Nine months ended September 30, 2023 and 2022

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Revenues (note 4)	\$ 1,213	\$ 882	\$ 3,299	\$ 2,028
Operating expenses:				
Energy purchases and system access fees	250	160	724	457
Other raw materials and operating charges	541	302	1,375	412
Staff costs and employee benefits expenses	83	83	276	265
Depreciation and amortization	107	102	317	293
Franchise fees and property taxes	39	39	118	112
Other administrative expenses	23	23	75	66
	1,043	709	2,885	1,605
Operating income	170	173	414	423
Finance expenses	(46)	(40)	(140)	(114)
Income before income taxes	124	133	274	309
Income tax expense	(6)	(14)	(8)	(23)
Net income	118	119	266	286
Other comprehensive income (loss):				
Items that may subsequently be reclassified to net income:				
Foreign exchange gain (loss) on U.S. denominated debt designated as a hedge of net investment in foreign operations	(7)	(20)	2	(26)
Unrealized gain on derivative financial instruments designated as hedges of net investment in foreign operations	1	7	4	1
Unrealized gain (loss) on derivative financial instruments designated as cash flow hedges (note 10)	-	(3)	-	7
Realized gain on derivative financial instruments designated as cash flow hedges (note 10)	8	6	10	17
Unrealized gain (loss) on foreign currency translation	29	83	(9)	102
Other comprehensive income	31	73	7	101
Comprehensive income	\$ 149	\$ 192	\$ 273	\$ 387

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

# EPCOR UTILITIES INC.

Condensed Consolidated Interim Statements of Financial Position  
(Unaudited, in millions of Canadian dollars)

September 30, 2023 and December 31, 2022

	2023	2022
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 130	\$ 130
Trade and other receivables	856	653
Inventories	28	25
Other financial assets (note 5)	218	426
	1,232	1,234
Non-current assets:		
Other financial assets (note 5)	308	256
Deferred tax assets	78	67
Property, plant and equipment	12,959	12,491
Intangible assets and goodwill	542	558
	13,887	13,372
<b>Total assets</b>	<b>\$ 15,119</b>	<b>\$ 14,606</b>
<b>Liabilities and equity</b>		
Current liabilities:		
Trade and other payables	\$ 872	\$ 832
Loans and borrowings (note 6)	756	517
Deferred revenue	88	95
Provisions	29	57
Other liabilities (note 7)	126	32
	1,871	1,533
Non-current liabilities:		
Loans and borrowings (note 6)	3,914	4,040
Deferred revenue	4,457	4,334
Deferred tax liabilities	81	83
Provisions	159	125
Other liabilities (note 7)	181	169
	8,792	8,751
<b>Total liabilities</b>	<b>10,663</b>	<b>10,284</b>
Equity:		
Share capital	798	798
Accumulated other comprehensive income	152	145
Retained earnings	3,506	3,379
<b>Total equity</b>	<b>4,456</b>	<b>4,322</b>
<b>Total liabilities and equity</b>	<b>\$ 15,119</b>	<b>\$ 14,606</b>

Commitments (note 5)

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

# EPCOR UTILITIES INC.

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

Nine months ended September 30, 2023 and 2022

	Accumulated other comprehensive income (loss)						Total equity
	Share capital	Cash flow hedges	Cumulative translation account	Employee benefits account	Retained earnings		
Equity at December 31, 2022	\$ 798	\$ 17	\$ 122	\$ 6	\$ 3,379	\$ 4,322	
Net income	-	-	-	-	266	266	
Other comprehensive income (loss):							
Foreign exchange gain on U.S. denominated debt designated as a hedge of net investment in foreign operations	-	-	2	-	-	2	
Unrealized gain on derivative financial instruments designated as hedges of net investment in foreign operations	-	-	4	-	-	4	
Realized gain on derivative financial instruments designated as cash flow hedges	-	10	-	-	-	10	
Unrealized loss on foreign currency translation	-	-	(9)	-	-	(9)	
Total comprehensive income (loss)	-	10	(3)	-	266	273	
Dividends	-	-	-	-	(139)	(139)	
Equity at September 30, 2023	\$ 798	\$ 27	\$ 119	\$ 6	\$ 3,506	\$ 4,456	

	Accumulated other comprehensive income (loss)						Total equity
	Share capital	Cash flow hedges	Cumulative translation account	Employee benefits account	Retained earnings		
Equity at December 31, 2021	\$ 798	\$ (9)	\$ 53	\$ (12)	\$ 3,177	\$ 4,007	
Net income	-	-	-	-	286	286	
Other comprehensive income (loss):							
Foreign exchange loss on U.S. denominated debt designated as a hedge of net investment in foreign operations	-	-	(26)	-	-	(26)	
Unrealized gain on derivative financial instruments designated as hedges of net investment in foreign operations	-	-	1	-	-	1	
Unrealized gain on derivative financial instruments designated as cash flow hedges	-	7	-	-	-	7	
Realized gain on derivative financial instruments designated as cash flow hedges	-	17	-	-	-	17	
Unrealized gain on foreign currency translation	-	-	102	-	-	102	
Total comprehensive income	-	24	77	-	286	387	
Dividends	-	-	-	-	(133)	(133)	
Equity at September 30, 2022	\$ 798	\$ 15	\$ 130	\$ (12)	\$ 3,330	\$ 4,261	

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

# EPCOR UTILITIES INC.

Condensed Consolidated Interim Statements of Cash Flows  
(Unaudited, in millions of Canadian dollars)

Nine months ended September 30, 2023 and 2022

	2023	2022
Cash flows from (used in) operating activities:		
Net income	\$ 266	\$ 286
Reconciliation of net income to cash from (used in) operating activities:		
Interest paid	(117)	(84)
Finance expenses	140	114
Income taxes paid	(20)	(2)
Income tax expense	8	23
Depreciation and amortization	317	293
Change in employee benefits provisions	(30)	(17)
Contributions received	142	80
Deferred revenue recognized	(78)	(64)
Changes in fair value of financial electricity purchase contracts	(4)	3
Other	2	(7)
Net cash flows from operating activities before non-cash operating working capital changes	626	625
Changes in non-cash operating working capital (note 8)	5	30
Net cash flows from operating activities	631	655
Cash flows from (used in) investing activities:		
Acquisitions and construction of property, plant and equipment and intangible assets <sup>1</sup>	(687)	(631)
Proceeds from expropriation of the Bullhead City water utility systems	-	25
Proceeds on disposal of property, plant and equipment	10	9
Net advances on other financial assets	(21)	(250)
Payment of Drainage transition cost compensation to the City of Edmonton	-	(6)
Changes in non-cash investing working capital (note 8)	(6)	91
Net cash flows used in investing activities	(704)	(762)
Cash flows from (used in) financing activities:		
Net issuances (repayments) of short-term loans and borrowings	232	(141)
Proceeds from issuance of long-term loans and borrowings	-	513
Repayments of long-term loans and borrowings	(118)	(120)
Debt issuance costs	-	(3)
Proceeds received upon settlement of bond forward contracts	-	17
Net refunds to customers and developers	(9)	(7)
Payments of lease liabilities, net of proceeds from finance lease receivable	(9)	(10)
Funding received per the Regulated Rate Option Stability Act, net of repayments (note 7)	116	-
Dividends paid	(139)	(133)
Net cash flows from financing activities	73	116
Increase in cash and cash equivalents	-	9
Cash and cash equivalents, beginning of period	130	30
Cash and cash equivalents, end of period	\$ 130	\$ 39

<sup>1</sup> Interest payments of \$6 million (2022 - \$11 million) have been capitalized and included in acquisitions and construction of property, plant and equipment (PP&E) and intangible assets.

# EPCOR UTILITIES INC.

Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited, tabular amounts in millions of Canadian dollars unless otherwise indicated)

September 30, 2023

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## 1. Nature of operations

EPCOR Utilities Inc. (the Company or EPCOR), 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. The Company also provides electricity, natural gas and water products and services to residential and commercial customers.

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

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

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

## 2. Basis of presentation

### (a) Statement of compliance

These condensed consolidated interim financial statements have been prepared by management in accordance with International Accounting Standard 34 – *Interim Financial Reporting*. These condensed consolidated interim financial statements do not include all of the disclosures normally provided in the annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2022, which were prepared in accordance with International Financial Reporting Standards as issued by International Accounting Standards Board (IASB).

These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on November 1, 2023.

### (b) Basis of measurement

The Company's condensed consolidated interim financial statements are prepared on the historical cost basis, except for its derivative financial instruments, long-term investment and contingent consideration, which are measured at fair value.

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

## 3. Material accounting policies

These condensed consolidated interim financial statements have been prepared following the same accounting policies and methods as those used in preparing the Company's most recent annual consolidated financial statements. The Company has adopted amendments to various accounting standards effective January 1, 2023, which did not have a material impact on these condensed consolidated interim financial statements.

### (a) Standards and interpretations not yet applied

A number of new standards, amendments to standards and interpretations of standards have been issued by the IASB and the International Financial Reporting Interpretations Committee, respectively, the application of which is effective for periods beginning on or after January 1, 2024. The Company does not expect the implementation of these new accounting pronouncements to have a material impact on its accounting policies.

# EPCOR UTILITIES INC.

Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited, tabular amounts in millions of Canadian dollars unless otherwise indicated)

September 30, 2023

## 4. Revenues

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

Three months ended September 30, 2023	Water Services	Distribution & Transmission	Energy Services	U.S. Operations	Other	Consolidated
Energy and water sales	\$ 82	\$ -	\$ 236	\$ 66	\$ 12	\$ 396
Provision of services	139	122	10	47	4	322
Construction revenue	-	-	-	488	4	492
Other commercial revenue	1	-	-	-	2	3
	\$ 222	\$ 122	\$ 246	\$ 601	\$ 22	\$ 1,213

Three months ended September 30, 2022	Water Services	Distribution & Transmission	Energy Services	U.S. Operations	Other	Consolidated
Energy and water sales	\$ 73	\$ -	\$ 192	\$ 59	\$ 13	\$ 337
Provision of services	134	106	8	32	4	284
Construction revenue	1	-	-	249	7	257
Other commercial revenue	1	-	-	1	2	4
	\$ 209	\$ 106	\$ 200	\$ 341	\$ 26	\$ 882

Nine months ended September 30, 2023	Water Services	Distribution & Transmission	Energy Services	U.S. Operations	Other	Consolidated
Energy and water sales	\$ 216	\$ -	\$ 669	\$ 170	\$ 41	\$ 1,096
Provision of services	397	373	26	114	16	926
Construction revenue	2	-	-	1,244	21	1,267
Other commercial revenue	4	-	-	-	6	10
	\$ 619	\$ 373	\$ 695	\$ 1,528	\$ 84	\$ 3,299

Nine months ended September 30, 2022	Water Services	Distribution & Transmission	Energy Services	U.S. Operations	Other	Consolidated
Energy and water sales	\$ 197	\$ -	\$ 507	\$ 159	\$ 40	\$ 903
Provision of services	366	350	25	88	14	843
Construction revenue	1	-	-	254	16	271
Other commercial revenue	4	-	-	1	6	11
	\$ 568	\$ 350	\$ 532	\$ 502	\$ 76	\$ 2,028

## 5. Other financial assets

This note disclosure should be read in conjunction with the other financial assets note disclosure (note 13) in the annual consolidated financial statements for the year ended December 31, 2022.



# EPCOR UTILITIES INC.

Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited, tabular amounts in millions of Canadian dollars unless otherwise indicated)

September 30, 2023

	September 30, 2023	December 31, 2022
Long-term receivables from service concession arrangements	\$ 71	\$ 72
Finance lease receivables	186	170
Long-term investment	6	6
Loans and other long-term receivables	36	16
Derivative financial assets (note 9)	26	11
Unbilled construction receivable	201	407
Total other financial assets	526	682
Less: current portion	218	426
	\$ 308	\$ 256

## Loans and other long-term receivables

In December 2022, the Government of Alberta (GOA) passed Bill 2 including amendments to the Regulated Rate Option Stability Act (the Act), to implement a ceiling on rates billed to Regulated Rate Option (RRO) customers of 13.5 cents per kWh for electricity consumed during the three-month period from January 2023 to March 2023. The collection of the difference between the approved RRO rate and the rate ceiling from RRO customers through adjustments to electricity rates started in April 2023 and will conclude in December 2024.

As at September 30, 2023, \$19 million was recorded in the non-current portion of loans and other long-term receivables, which represents non-current amounts to be collected from RRO customers under the Act. The Company recorded \$81 million in trade and other receivables, which represents the current amounts to be collected from RRO customers under the Act.

## Unbilled construction receivable

### *Samsung Austin Semiconductor, LLC (Samsung) Projects*

During the year ended December 31, 2022, the Company signed two Preliminary Services Agreements, and subsequent amending agreements (collectively, the PSAs) with Samsung, 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 Samsung's new semiconductor fabrication facility in Taylor, Texas.

The Company signed definitive Project Agreements (the PAs) in December 2022 and April 2023 for Projects Sandow and Blue Sky, respectively, to carry out the remaining work to design, build, own, operate, maintain and transfer the project assets to Samsung at the expiry of the full operation and maintenance term, or in certain instances of early termination. The construction of the projects is expected to be substantially complete in 2024, with initial operation and maintenance period of 30 years after completion of construction. Under the terms of the PAs, the Company is committed to fund US\$300 million during the projects.

During the nine months ended September 30, 2023, the Company recorded construction revenues of \$1,236 million (2022 - \$242 million) related to the Samsung Projects, which were recognized on the basis of costs incurred plus an agreed-upon margin. The construction expenditures, totalling \$1,178 million (2022 - \$235 million), were recorded in other raw materials and operating charges.

As at September 30, 2023, the Company recorded \$187 million (December 31, 2022 - \$407 million) in the current portion of other financial assets, and \$14 million (December 31, 2022 - \$nil) in the non-current portion of other financial assets, which represents unbilled construction revenues translated at the period end exchange rate.

## 6. Loans and borrowings

On October 3, 2023, the Company issued 30-year unsecured public debentures totalling \$300 million with a coupon rate of 5.326%. The coupon rate of the debentures was determined based on market prices in effect on September 26, 2023. The interest is payable semi-annually and the principal is due at maturity.

# EPCOR UTILITIES INC.

Notes to the Condensed Consolidated Interim Financial Statements  
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September 30, 2023

## 7. Other liabilities

Under the Regulated Rate Option Stability Act, EPCOR and the other electricity retailers had the option to receive interest free funding from the GOA for the difference between the approved RRO rate and rate ceiling. Consequently, during the three months ended March 31, 2023, the Company received \$138 million of funding, which is being repaid to the GOA upon collection of deferred amounts from RRO customers during the billing periods between April 2023 and December 2024. As at September 30, 2023, \$96 million has been recorded in the current portion of other liabilities, \$20 million has been recorded in the non-current portion of other liabilities, and \$22 million has been repaid to the GOA.

## 8. Changes in non-cash working capital

Nine months ended September 30, 2023 and 2022

	2023	2022
Trade and other receivables	\$ (203)	\$ (15)
Inventories	(3)	(3)
Unbilled construction receivable (note 5)	206	-
Other long-term receivables (note 5)	(19)	-
Trade and other payables, excluding derivative financial liabilities	44	197
	<u>\$ 25</u>	<u>\$ 179</u>
	2023	2022
Included in specific items on consolidated statements of cash flows:		
Interest paid	\$ 16	\$ 23
Income tax expense (recovered)	(1)	6
Proceeds from expropriation of the Bullhead City water utility systems	-	25
Contributions received	8	-
Net advances on other financial assets	1	2
Other	2	2
	26	58
Operating activities	5	30
Investing activities	(6)	91
	<u>\$ 25</u>	<u>\$ 179</u>

## 9. Financial instruments

### Classification

The classifications of the Company's financial instruments measured at fair value as at September 30, 2023 and December 31, 2022 are summarized as follows:

	Fair value hierarchy
Long-term investment	Level 3
Derivative financial instruments	
Financial electricity purchase contracts	Level 1
Cross-currency interest rate swap contracts	Level 2
Interest rate swap contract (note 10)	Level 2
Bond forward contract (note 10)	Level 2
Other liabilities	
Funding received under the RRO Stability Act (note 7)	Level 2
Contingent consideration	Level 3

# EPCOR UTILITIES INC.

Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited, tabular amounts in millions of Canadian dollars unless otherwise indicated)

September 30, 2023

## Fair value

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

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

	Fair value hierarchy	September 30, 2023		December 31, 2022	
		Carrying amount	Fair value	Carrying amount	Fair value
Non-current portion of other financial assets <sup>1</sup>	Level 2	\$ 297	\$ 288	\$ 249	\$ 248
Loans and borrowings	Level 2	4,670	4,067	4,557	4,128
Other liabilities					
Funding received per the RRO Stability Act	Level 2	20	20	-	-

1. Excluding long-term investment in Vista Ridge LLC (Vista Ridge) of \$6 million (December 31, 2022 - \$6 million) and derivative financial instruments of \$5 million (December 31, 2022 - \$1 million).

### *Fair value hierarchy*

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

### *Long-term investment*

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

### *Derivative financial instruments*

The fair value of the Company's financial electricity purchase contracts is determined based on exchange index prices in active markets and is based on the external readily observable market data such as forward electricity prices. It is possible that the fair value amounts will differ from future outcomes and the impact of such variations could be material.

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

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

The fair value of the Company's bond forward contract is estimated using the difference between the contractual forward price and the current forward price based on market conditions at the measurement date. The derivative instrument reflects the estimated amount that the Company would receive or pay to settle the bond forward contract at the measurement date.

Within these condensed consolidated interim statements of financial position short-term derivative financial assets are presented within current portion of other financial assets, long-term derivative financial assets are presented within other financial assets, and short-term derivative financial liabilities are presented within trade and other payables. As at September 30, 2023, derivative financial instruments had balances of \$21 million within current portion of other financial assets, \$5

# EPCOR UTILITIES INC.

Notes to the Condensed Consolidated Interim Financial Statements  
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September 30, 2023

million within non-current portion of other financial assets and \$2 million within trade and other payables (December 31, 2022 - \$10 million within current portion of other financial assets, \$1 million within non-current portion of other financial assets and \$6 million within trade and other payables).

### *Contingent consideration*

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

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

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

### *Loans and borrowings*

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

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

## **10. Financial risk management**

This note disclosure should be read in conjunction with the financial risk management (note 27) in the annual consolidated financial statements for the year ended December 31, 2022.

### *Interest rate risk*

During the nine months ended September 30, 2023, the Company entered into a bond forward contract (the hedging instrument) to manage its interest rate risk associated with movements in long-term Canadian benchmark interest rates related to future planned long-term debt issuances (the hedged item). The Company performed effectiveness tests at inception and each measurement date to ensure that the changes in fair values of the hedging instrument and the hedged item are moving in opposite directions and offsetting each other. This financial instrument has been classified as a cash flow hedge. In the cash flow hedging relationship, the effective portion of the change in the fair value of the hedging instrument is recognized in other comprehensive income (OCI), while the ineffective portion is recognized in net income within finance expenses. The amounts recognized in OCI as cash flow hedging gains or losses will be reclassified to net income as the interest payments on the hedged item are recognized in net income and will effectively adjust the interest expense related to the hedged item. If it becomes probable that the planned long-term debt issuance will not occur all the amounts recognized in OCI as cash flow hedging gains or losses, pertaining to the specified debt issuance, will immediately be reclassified to net income.

The following table summarizes the key terms of the Company's outstanding bond forward contract:

Type of instrument	Contract maturity	Term	Notional value	Pay fixed interest rate
Bond forward contract	December 15, 2023	30 years	\$ 50	2.8805%

1 Canadian Dollar Offered Rate (CDOR)

# EPCOR UTILITIES INC.

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September 30, 2023

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The counterparty to the bond forward contract is a major Canadian financial institution. The Company can settle the bond forward contract at any time before the mandatory contract maturity date.

During the nine months ended September 30, 2023, the change in fair value of \$6 million of the effective portion of this cash flow hedge was recorded as a gain in OCI.

On September 26, 2023, the Company terminated the bond forward and interest rate swap contracts. These were settled on October 3, 2023, concurrently with the issuance of long-term debentures (note 6) and the outstanding balances of \$7 million and \$14 million, respectively, were received from the counterparties. Of the \$21 million gain on the contracts, \$20 million represents the effective portion of the hedges and has been recorded in OCI, and will be reclassified and recognized in net income over the 30-year period reducing interest expense related to the long-term debentures. The ineffective portion of the hedges of \$1 million has been recognized in finance expenses.

### *Liquidity risk*

The Company increased the existing uncommitted bank credit facilities by \$100 million, from \$265 million to \$365 million, during the nine months ended September 30, 2023.

The uncommitted bank credit facilities are restricted to letters of credit. At September 30, 2023, letters of credit totalling \$144 million have been issued and outstanding (December 31, 2022 - \$236 million) to meet the credit requirements of electricity market participants and to meet conditions of certain service agreements.

## **11. Segment disclosures**

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

### **Water Services**

Water Services is primarily involved in the treatment, 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 includes the provision of design, build, finance, operating and maintenance services for municipal and industrial customers in Western Canada.

### **Distribution and Transmission**

Distribution and Transmission is involved in the transmission and distribution of electricity within Edmonton. This segment also provides EPCOR affiliates with professional services, engineering design, project management and fleet services.

### **Energy Services**

Energy Services is primarily involved in the provision of regulated rate option electricity service and default supply electricity services to customers in Alberta. This segment also provides competitive electricity and natural gas products under the Encor brand.

### **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.

### **Other**

Other includes all of the remaining business segments of the Company, which do not meet the criteria of a reportable business segment. Other primarily includes Ontario natural gas and electricity distribution businesses, certain Canadian business development projects including the construction and leases of electrical infrastructure related to the Trans Mountain pipeline expansion project and water treatment plant in Darlington, and the cost of the Company's net unallocated corporate office expenses.

# EPCOR UTILITIES INC.

Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited, tabular amounts in millions of Canadian dollars unless otherwise indicated)

September 30, 2023

Three months ended September 30, 2023								
	Water Services	Distribution & Transmission	Energy Services	U.S. Operations	Other	Intersegment Elimination	Consolidated	
External revenues	\$ 222	\$ 122	\$ 246	\$ 601	\$ 22	\$ -	\$	1,213
Inter-segment revenues	-	6	6	-	-	(12)		-
Revenues	222	128	252	601	22	(12)		1,213
Energy purchases and system access fees	-	-	240	-	10	-		250
Other raw materials and operating charges	28	11	-	500	5	(3)		541
Staff costs and employee benefits expenses	33	12	10	17	14	(3)		83
Depreciation and amortization	48	28	2	20	9	-		107
Franchise fees and property taxes	12	25	-	2	-	-		39
Other administrative expenses	12	4	9	4	-	(6)		23
Operating expenses	133	80	261	543	38	(12)		1,043
Operating income (loss) before corporate income (charges)	89	48	(9)	58	(16)	-		170
Corporate income (charges)	(6)	(3)	(3)	(1)	13	-		-
Operating income (loss)	83	45	(12)	57	(3)	-		170
Finance recoveries (expenses)	(24)	(18)	(1)	(15)	12	-		(46)
Income tax recovery (expense)	-	-	-	(9)	3	-		(6)
Net income (loss)	\$ 59	\$ 27	\$ (13)	\$ 33	\$ 12	\$ -	\$	118
Capital additions	\$ 119	\$ 72	\$ 1	\$ 44	\$ 6	\$ -	\$	242

# EPCOR UTILITIES INC.

Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited, tabular amounts in millions of Canadian dollars unless otherwise indicated)

September 30, 2023

Three months ended September 30, 2022								
	Water Services	Distribution & Transmission	Energy Services	U.S. Operations	Other	Intersegment Elimination	Consolidated	
External revenues	\$ 209	\$ 106	\$ 200	\$ 341	\$ 26	\$ -	\$	882
Inter-segment revenues	-	5	4	-	-	(9)		-
Revenues	209	111	204	341	26	(9)		882
Energy purchases and system access fees	-	-	148	1	11	-		160
Other raw materials and operating charges	25	9	1	261	9	(3)		302
Staff costs and employee benefits expenses	33	16	9	14	14	(3)		83
Depreciation and amortization	45	30	2	17	8	-		102
Franchise fees and property taxes	12	25	-	2	-	-		39
Other administrative expenses	8	4	8	5	1	(3)		23
Operating expenses	123	84	168	300	43	(9)		709
Operating income (loss) before corporate income (charges)	86	27	36	41	(17)	-		173
Corporate income (charges)	(9)	(5)	(4)	(1)	19	-		-
Operating income	77	22	32	40	2	-		173
Finance recoveries (expenses)	(22)	(16)	(1)	(14)	13	-		(40)
Income tax expense	-	-	-	(7)	(7)	-		(14)
Net income	\$ 55	\$ 6	\$ 31	\$ 19	\$ 8	\$ -	\$	119
Capital additions	\$ 125	\$ 69	\$ 1	\$ 39	\$ 9	\$ -	\$	243

# EPCOR UTILITIES INC.

Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited, tabular amounts in millions of Canadian dollars unless otherwise indicated)

September 30, 2023

Nine months ended September 30, 2023								
	Water Services	Distribution & Transmission	Energy Services	U.S. Operations	Other	Intersegment Elimination	Consolidated	
External revenues	\$ 619	\$ 373	\$ 695	\$ 1,528	\$ 84	\$ -	\$ 3,299	
Inter-segment revenues	-	16	20	-	-	(36)	-	
Revenues	619	389	715	1,528	84	(36)	3,299	
Energy purchases and system access fees	-	-	686	1	37	-	724	
Other raw materials and operating charges	79	30	-	1,251	23	(8)	1,375	
Staff costs and employee benefits expenses	108	46	30	52	47	(7)	276	
Depreciation and amortization	141	81	6	63	26	-	317	
Franchise fees and property taxes	34	76	-	7	1	-	118	
Other administrative expenses	32	13	25	20	6	(21)	75	
Operating expenses	394	246	747	1,394	140	(36)	2,885	
Operating income (loss) before corporate income (charges)	225	143	(32)	134	(56)	-	414	
Corporate income (charges)	(25)	(14)	(12)	(5)	56	-	-	
Operating income (loss)	200	129	(44)	129	-	-	414	
Finance recoveries (expenses)	(72)	(51)	(2)	(50)	35	-	(140)	
Income tax recovery (expense)	-	-	-	(18)	10	-	(8)	
Net income (loss)	\$ 128	\$ 78	\$ (46)	\$ 61	\$ 45	\$ -	\$ 266	
Capital additions	\$ 290	\$ 239	\$ 1	\$ 134	\$ 23	\$ -	\$ 687	



# EPCOR UTILITIES INC.

Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited, tabular amounts in millions of Canadian dollars unless otherwise indicated)

September 30, 2023

Nine months ended September 30, 2022								
	Water Services	Distribution & Transmission	Energy Services	U.S. Operations	Other	Intersegment Elimination	Consolidated	
External revenues	\$ 568	\$ 350	\$ 532	\$ 502	\$ 76	\$ -	\$	2,028
Inter-segment revenues	-	12	12	-	-	(24)		-
Revenues	568	362	544	502	76	(24)		2,028
Energy purchases and system access fees	-	-	418	2	37	-		457
Other raw materials and operating charges	71	28	1	300	18	(6)		412
Staff costs and employee benefits expenses	108	52	28	38	45	(6)		265
Depreciation and amortization	127	86	6	49	25	-		293
Franchise fees and property taxes	31	73	-	7	1	-		112
Other administrative expenses	24	11	24	14	5	(12)		66
Operating expenses	361	250	477	410	131	(24)		1,605
Operating income (loss) before corporate income (charges)	207	112	67	92	(55)	-		423
Corporate income (charges)	(26)	(16)	(13)	(4)	59	-		-
Operating income	181	96	54	88	4	-		423
Finance recoveries (expenses)	(64)	(46)	(3)	(39)	38	-		(114)
Income tax expense	-	-	-	(12)	(11)	-		(23)
Net income	\$ 117	\$ 50	\$ 51	\$ 37	\$ 31	\$ -	\$	286
Capital additions	\$ 314	\$ 182	\$ 1	\$ 104	\$ 30	\$ -	\$	631

# EPCOR UTILITIES INC.

Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited, tabular amounts in millions of Canadian dollars unless otherwise indicated)

September 30, 2023

The Company's assets and liabilities by business segments at September 30, 2023 and December 31, 2022 are summarized as follows:

September 30, 2023							
	Water Services	Distribution & Transmission	Energy Services	U.S. Operations	Other	Intersegment Elimination	Consolidated
Total assets	\$ 8,260	\$ 3,111	\$ 449	\$ 2,580	\$ 5,751	\$ (5,032)	\$ 15,119
Total liabilities	6,327	2,122	376	2,039	4,831	(5,032)	10,663

December 31, 2022							
	Water Services	Distribution & Transmission	Energy Services	U.S. Operations	Other	Intersegment Elimination	Consolidated
Total assets	\$ 8,004	\$ 2,941	\$ 533	\$ 2,550	\$ 5,900	\$ (5,322)	\$ 14,606
Total liabilities	6,190	2,024	411	2,066	4,915	(5,322)	10,284

## Non-current assets by geography

	September 30, 2023	December 31, 2022
Canada	\$ 11,748	\$ 11,327
U.S.	2,139	2,045
	\$ 13,887	\$ 13,372