EPCOR UTILITIES INC.

Management's Discussion and Analysis

For three months ended March 31, 2024

EPCOR Utilities Inc.
Interim Management's Discussion and Analysis
March 31, 2024

This interim management's discussion and analysis (MD&A), dated May 1, 2024 should be read in conjunction with the condensed consolidated interim financial statements of EPCOR Utilities Inc. for the three months ended March 31, 2024 and 2023, including the cautionary statement regarding forward-looking information at the end of this MD&A. In this MD&A, any reference to "the Company", "EPCOR", "we" or "our", except where otherwise noted or the context otherwise indicates, means EPCOR Utilities Inc., together with its subsidiaries. Financial information in this MD&A is based on the condensed consolidated interim financial statements, which were prepared in accordance with International Accounting Standard – 34 "*Interim Financial Reporting*" as issued by International Accounting Standards Board (IASB) 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. The Board of Directors approved this MD&A on May 1, 2024.

Overview of Business and Financial Results

The Company 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, North American Commercial Services and U.S. Regulated Water segments.

Net income was $104 million for the three months ended March 31, 2024, compared with net income of $46 million for the comparative period in 2023. The increase of $58 million for the three months ended March 31, 2024 was primarily due to fair value adjustments related to financial electricity purchase contracts and higher Adjusted EBITDA (as described below), partially offset by higher income tax expense and lower transmission system access service charge net collections.

Adjusted EBITDA is a non-GAAP financial measure and is not a standardized financial measure under IFRS Accounting Standards (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 3 of this MD&A.

Adjusted EBITDA was $260 million for the three months ended March 31, 2024, compared with $244 million for the comparative period in 2023. The increase of $16 million for the three months ended March 31, 2024 was primarily due to higher rates, higher consumption, and customer growth, partially offset by higher operating costs and lower construction activity.

Significant Events

Samsung Austin Semiconductor, LLC (Samsung) Projects

The Company signed definitive Project Agreements (PAs) with Samsung, a wholly-owned subsidiary of Samsung Electronics Co., Ltd. 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 project assets consist 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 construction of both projects is expected to be substantially complete by the end of 2024, with an initial operation and maintenance period of 30 years after completion of construction.

At March 31, 2024, the $96 million (December 31, 2023 - $258 million) due from Samsung is recorded within trade and other receivables. The $138 million past due at December 31, 2023 was received from Samsung in the first quarter of 2024. The Company continues to work with Samsung and the Design Build Contractor to resolve disputed charges as they arise, in accordance with the dispute resolution remedies in the various contracts.

At March 31, 2024, the Company recorded $125 million (December 31, 2023 - $122 million) in the current portion of other financial assets, and $2 million (December 31, 2023 - $3 million) in the non-current portion of other financial assets, which represents unbilled construction revenues translated at the period end exchange rate.

The Company funded $120 million of the groundwater supply system at March 31, 2024 (December 31, 2023 - $79 million) and recorded a finance lease receivable, which will be recovered over the term of 30 years after completion of construction.

Reorganization of Corporate Structure and Reporting Segments

During the fourth quarter of 2023, the Company realigned its operating segments to reflect the results of an internal reorganization. This resulted in the formation of a new operating segment, North American Commercial Services, which combines certain previously existing businesses in a new reportable segment. Comparative segmented results for the three months ended March 31, 2023 have been restated to align with the 2024 reportable segment presentation.

E.L. Smith Water Treatment Plant Event

On January 29, 2024, electrical failures at the E.L. Smith Water Treatment Plant led to the mandatory non-essential water use ban until repairs were completed and the ban was lifted on February 2, 2024. Subsequent to the event, EPCOR performed a root cause investigation which identified that this was a rare event. Reviews of maintenance practices related to the incident, demand management measures, and response and coordination with customers are being performed while planned projects in the mid- and long- term are expected to increase system resiliency.

Water Treatment Facility Project

On February 27, 2024, the Des Nedhe Group, the 100% owned development arm of the English River First Nation, and EPCOR announced a working partnership to develop a new water treatment facility and associated infrastructure to provide potable water to several proposed residential, commercial and industrial developments near Saskatoon, Saskatchewan.

Material Accounting Policies Information

The condensed consolidated interim financial statements for the three months ended March 31, 2024 and 2023 have been prepared following the same accounting policies and methods as those used in preparing the Company's most recent annual consolidated financial statements.

Consolidated Results of Operations

Revenues

(Unaudited, $ millions) **Three months ended March 31,**	**2024**	**2023 (restated)**
Water Services segment	$ 192	$ 173
Distribution and Transmission segment	126	128
Energy Services segment	144	301
North American Commercial Services segment	361	451
U.S. Regulated Water segment	77	71
Other	1	-
Intersegment eliminations	(16)	(17)
Revenues	**$ 885**	**$ 1,107**

Consolidated revenues were lower by $222 million for the three months ended March 31, 2024, compared with the corresponding period in 2023 primarily due to the net impact of the following:

- Water Services segment revenues increased by $19 million for the three months ended March 31, 2024, primarily due to higher rates, higher consumption, and customer growth.
- Distribution and Transmission segment revenues decreased by $2 million for the three months ended March 31, 2024, primarily due to lower transmission system access service charge net collections, partially offset by higher electricity distribution and transmission rates and volumes.
- Energy Services segment revenues decreased by $157 million for the three months ended March 31, 2024, primarily due to lower electricity rates and volumes resulting from fewer RRO customer sites, partially offset by higher service fees from competitive sites.
- North American Commercial Services segment revenues decreased by $90 million for the three months ended March 31, 2024, primarily due to lower construction revenues for Projects Blue Sky and Sandow.
- U.S. Regulated Water segment revenues increased by $6 million for the three months ended March 31, 2024, primarily due to deferred revenue recognized related to higher developer contributions in 2023.

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, and other unusual items (collectively, Adjusted EBITDA) to discuss operating results for the Company’s lines of business.

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

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

(Unaudited, $ millions) **Three months ended March 31,**	**2024**	**2023 (restated)**
Adjusted EBITDA by Segment		
Water Services segment	$ 106	$ 92
Distribution and Transmission segment	70	60
Energy Services segment	15	22
North American Commercial Services segment	24	26
U.S. Regulated Water segment	37	34
Other	8	10
Adjusted EBITDA	260	244
Finance expenses	(50)	(47)
Income tax recovery (expense)	(9)	8
Depreciation and amortization	(103)	(100)
Change in fair value of financial electricity purchase contracts	7	(71)
Transmission system access service charge net collections	(1)	12
Net income	$ 104	$ 46

Changes in each business segment's Adjusted EBITDA, for the three months ended March 31, 2024, compared with the corresponding period in 2023, are described in Segment Results below. Explanations of the remaining significant variances in net income for the three months ended March 31, 2024, compared with the corresponding period in 2023, are as follows:

- Higher finance expense of $3 million for the three months ended March 31, 2024, was primarily due to interest expense on long-term debt issued in 2023, partially offset by higher capitalized interest.
- Higher income tax expense of $17 million for the three months ended March 31, 2024, was primarily due to higher income subject to tax in Canada resulting from favourable changes in the fair market value of electricity purchase contracts in Energy Services.
- Higher depreciation and amortization of $3 million for the three months ended March 31, 2024, was primarily due to 2023 asset additions.
- Favourable change in the fair value of financial electricity purchase contracts of $78 million for the three months ended March 31, 2024, was primarily due to the difference between settled electricity market forward prices and contracted electricity prices and contracted prices being higher than electricity market forward prices in 2024, compared with electricity market forward prices being higher than contracted prices in 2023.
- Lower transmission system access service charge net collections of $13 million for the three months ended March 31, 2024.

Segment Results

Water Services

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

Water Services Operating Income and Adjusted EBITDA

(Unaudited, $ millions, including intersegment transactions) **Three months ended March 31,**		**2024**		**2023 (restated)**
Revenues	$	192	$	173
Expenses		128		126
Operating income		**64**		**47**
Exclude depreciation and amortization		42		45
Adjusted EBITDA	**$**	**106**	**$**	**92**

Water Services' Adjusted EBITDA increased by $14 million for the three months ended March 31, 2024, compared with the corresponding period in 2023, primarily due to higher rates, higher consumption, and customer growth, partially offset by higher staff and operating costs.

Distribution and Transmission

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

The Alberta Utilities Commission (AUC) initiated a proceeding in June 2022 to establish the parameters of the Performance Based Regulation (PBR) plans for Alberta distribution facility owners that will start in 2024. EPCOR received a decision in October 2023 that approved the continuation of a similar framework to the previous plan for the years 2024 to 2028 with some modifications to include an earnings sharing mechanism, increased capital funding provisions and modifications to the productivity and inflation factor calculations. Additionally, the Commission removed the Efficiency Carry-Over Mechanism that was present in the previous two PBR plans. EPCOR submitted a compliance filing in November 2023 to set the 2024 rates. In March 2024, EPCOR received interim approval, subject to true-ups, of the actual experienced inflation factor and deferral account balances.

EPCOR filed its 2023 to 2025 Transmission Facility Owner Tariff Application in September 2022. In February 2023, EPCOR filed a negotiated settlement agreement on this application which was subsequently approved by the AUC in April 2023. EPCOR completed the true-up of interim to final rates in May 2023 and is charging approved rates through to the end of 2025.

In October 2023, EPCOR received a decision on the 2024 Generic Cost of Capital that established a formula-based approach to setting parameters for the next five years. The capital structure remained at the previously approved 37% equity and 63% debt, while the return on equity percentage is to be calculated annually based upon a 9% base rate adjusted by changes in future bond yields. The resulting return on equity for 2024 is 9.28%.

In October 2021, the AUC issued a decision that revised the regulatory accounting treatment for Alberta Electric System Operator (AESO) directed customer contributions. As per the decision, any AESO directed customer contributions made by the distribution facility owners after April 23, 2021, requires 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. EPCOR filed a request for permission to appeal this decision with the Court of Appeal of Alberta, which was granted by the court in January 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 took place in February 2023 and a decision was released in November 2023 wherein the Court determined that the AUC breached its duty of fairness to parties by not providing notice that it intended to consider disallowing utilities a fair return. The matter has been returned to the AUC and it is expected that a proceeding will be initiated to address the Court's findings. In compliance with the original decision, the Company continues to include contribution related expenses in its deferral account as incurred.

Distribution and Transmission Operating Income and Adjusted EBITDA

(Unaudited, $ millions, including intersegment transactions) **Three months ended March 31,**		**2024**		**2023 (restated)**
Revenues	$	126	$	128
Expenses		85		82
Operating income		**41**		**46**
Exclude depreciation and amortization		28		27
Exclude transmission system access service charge net collections		1		(13)
Adjusted EBITDA	**$**	**70**	**$**	**60**

Distribution and Transmission's Adjusted EBITDA increased by $10 million for the three months ended March 31, 2024, compared with the corresponding period in 2023, primarily due to higher electricity distribution and transmission rates and volumes, partially offset by higher staff costs and employee benefits.

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.

The 2023-2024 Non-Energy rate application was filed in September 2023 with a decision expected in the second quarter of 2024. In February 2024, interim rates were filed for 2024 and were subsequently approved by the AUC. The interim rates went into effect April 1, 2024.

Application for a new 2024-2025 Energy Price Setting Plan (EPSP) was filed in December 2023. The current 2021-2024 EPSP is effective until June 2024.

In December 2022, the Government of Alberta (GOA) passed Bill 2 and implemented an RRO rate ceiling of 13.5 cents per kilowatt-hour (kWh) of electricity consumed during the three-month period from January 2023 to March 2023. Electricity consumption charges above 13.5 cents per kWh during this period were deferred and are being recovered from RRO customers between April 1, 2023 and December 31, 2024. The Company received interest-free funding from the GOA for the customer deferrals and, as at March 31, 2024, had $77 million remaining to repay, recorded in the current portion of other liabilities.

On April 18, 2024, the GOA announced the first steps in the initiative to adapt the market to better deliver on affordability, reliability and sustainability. The GOA intends to introduce legislation and new regulations later this year to make default electricity rates more stable by being set for each regulated retailer every two years. Work on the specific mechanics of the change will continue with industry stakeholder entities before those regulations come into force.

The RRO will be renamed the Rate of Last Resort (ROLR) so that consumers have a better understanding of the rate they are paying and encourage them to find the best option for them. Also, within 90 days of providing their services, retailers will be required to confirm with their customers whether they are choosing to sign a competitive rate contract or stay on the ROLR.

Energy Services Operating Income and Adjusted EBITDA

(Unaudited, $ millions, including intersegment transactions) **Three months ended March 31,**		**2024**		**2023**
Revenues	$	144	$	301
Expenses		124		352
Operating income (loss)		**20**		**(51)**
Exclude depreciation and amortization		2		2
Exclude change in fair value of financial electricity purchase contracts		(7)		71
Adjusted EBITDA	**$**	**15**	**$**	**22**

Energy Services' Adjusted EBITDA decreased by $7 million for the three months ended March 31, 2024, compared with the corresponding period in 2023, primarily due to lower EPSP margins, partially offset by increased competitive margins.

North American Commercial Services

North American Commercial Services includes business development projects related to the provision of design, build, finance, operating and maintenance services for municipal and industrial water, wastewater, electricity and natural gas customers in North America. The segment includes electricity distribution in Canada and natural gas distribution and transmission businesses in Canada and the U.S. The segment also provides EPCOR affiliates with professional services, engineering design, project management, dispatch services, and fleet services.

As noted in the significant events section on page 2, the Company is continuing the remaining work on the Samsung projects.

North American Commercial Services Operating Income and Adjusted EBITDA

(Unaudited, $ millions, including intersegment transactions) **Three months ended March 31,**		**2024**		**2023 (restated)**
Revenues	$	361	$	451
Expenses		341		428
Operating income		**20**		**23**
Exclude depreciation and amortization		4		2
Exclude transmission system access service charge net collections		-		1
Adjusted EBITDA	**$**	**24**	**$**	**26**

North American Commercial Services' Adjusted EBITDA decreased by $2 million for the three months ended March 31, 2024, compared with the corresponding period in 2023, primarily due to lower construction activity for the Samsung projects, partially offset by higher other commercial revenue.

U.S. Regulated Water

U.S. Regulated Water is primarily involved in the treatment, transmission, distribution and sale of water, the collection and treatment of wastewater, and construction of related facilities in Arizona and New Mexico.

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, 2023, 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 2022, the ACC approved the Company's water rate case including consolidation of certain water utility districts into the Sonoran district.

On April 28, 2022, the ACC 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.

On April 18, 2024, the ACC consolidated all of the Company's wastewater districts (except San Tan) into a new Sonoran Wastewater District. The ACC also approved rate increases for the new district and the Company's Rio Verde Water District.

U.S. Regulated Water Operating Income and Adjusted EBITDA

(Unaudited, $ millions, including intersegment transactions) **Three months ended March 31,**		**2024**		**2023 (restated)**
Revenues	$	77	$	71
Expenses		60		54
Operating income		**17**		**17**
Exclude depreciation and amortization		20		17
Adjusted EBITDA	**$**	**37**	**$**	**34**

U.S. Regulated Water's Adjusted EBITDA increased by $3 million for the three months ended March 31, 2024, compared with the corresponding period in 2023, primarily due to increased deferred revenue recognized, partially offset by lower wastewater revenues and higher operating expenses.

Capital Expenditures

(Unaudited, $ millions) **Three months ended March 31,**		**2024**		**2023 (restated)**
Water Services segment	$	76	$	65
Distribution and Transmission segment		66		71
North American Commercial Services segment		9		6
U.S. Regulated Water segment		36		38
Other		3		3
Total capital expenditures	**$**	**190**	**$**	**183**

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.

Consolidated Statements of Financial Position – Assets

(Unaudited, $ millions)	March 31, 2024	December 31, 2023	Increase (decrease)	Explanation of primary changes
Cash	$ 92	$ 25	$ 67	Refer to Liquidity and Capital Resources – Consolidated Statements of Cash Flows section.
Trade and other receivables	724	931	(207)	Lower construction, retail energy and RRO Stability Act receivables.
Inventories	29	29	-	
Other financial assets	603	514	89	Higher finance lease and other long-term receivables primarily related to the Samsung projects.
Deferred tax assets	69	75	(6)	Decreases in non-capital loss carryforward balances resulting from higher income subject to tax in Canada, primarily due to the favourable changes in the fair value of electricity purchase contracts in Energy Services.
Property, plant and equipment	13,477	13,306	171	Capital expenditures and foreign currency valuation adjustments partially offset by depreciation expense.
Intangible assets and goodwill	542	539	3	Foreign currency valuation adjustments and capital expenditures, partially offset by amortization expense.
Total Assets	**$ 15,536**	**$ 15,419**	**$ 117**	

Consolidated Statements of Financial Position – Liabilities and Equity

(Unaudited, $ millions)	March 31, 2024	December 31, 2023	Increase (decrease)	Explanation of primary changes
Trade and other payables	$ 810	$ 853	$ (43)	Lower energy purchase prices and volumes, and lower construction payables related to Samsung and other various projects, partially offset by higher accrued interest on long-term debt.
Loans and borrowings	4,755	4,741	14	Net issuance of short-term debt and foreign currency valuation adjustments, partially offset by principal repayments of long-term debt.
Deferred revenue	4,847	4,798	49	Cash and asset contributions received and foreign currency valuation adjustments, partially offset by deferred revenue recognized.
Provisions	218	198	20	Receipt of construction advances net of transfers to deferred revenue and higher employee benefit accruals.
Other liabilities	241	256	(15)	Repayments of funding received under the RRO Stability Act and payments of lease liabilities.
Deferred tax liabilities	82	78	4	Increase in the net deferred tax liability for U.S. Regulated Water segment and foreign exchange translation adjustments.
Equity	4,583	4,495	88	
Total Liabilities and Equity	**$ 15,536**	**$15,419**	**$ 117**	

Liquidity and Capital Resources

Consolidated Statements of Cash Flows

(Unaudited, $ millions) **Cash inflows (outflows)** **Three months ended March 31,**	**2024**	**2023**	**Increase (decrease)**	**Explanation of primary changes**
Operating	$ 421	$ 295	$ 126	Changes in non-cash operating working capital and increase in operating income, partially offset by lower contributions received.
Investing	(296)	(216)	(80)	Changes in other financial assets and non-cash investing working capital.
Financing	(58)	(118)	60	Higher net issuances of short-term debt, partially offset by repayment of RRO Stability Act funding received in 2023.
Opening cash	25	130	(105)	
Closing cash	**$ 92**	**$ 91**	**$ 1**	

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 for the next twelve months, from 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 to finance its plans and fund its obligations, including current liabilities in excess of current assets. 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

There were no material changes to the Company's capital requirements or purchase obligations, including payments for the next five years and thereafter, from those previously disclosed in the 2023 annual MD&A.

Financing

Generally, our external financing is raised at the corporate level and invested in the operating business units. Our external financing has consisted of commercial paper issuance, bank loans under credit facilities, debentures payable to the City of Edmonton (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) **March 31, 2024**	**Expiry**	**Total facilities**	**Banking commercial paper issued**	**Letters of credit issued and other facility draws**	**Net amounts available**
Committed					
Syndicated bank credit facility[1]	December 2028	$ 750			
Bank credit facility[1]	November 2025	200			
Bank credit facility[1]	May 2026	150			
Total committed		$ 1,100	$ 160	$ -	$ 940
Uncommitted					
Bank credit facilities[2]	No expiry	340	-	155	185
Bank credit facility	No expiry	25	-	-	25
Total uncommitted		365	-	155	210
Total credit facilities		**$ 1,465**	**$ 160**	**$ 155**	**$ 1,150**

($ millions) **December 31, 2023**	**Expiry**	**Total facilities**	**Banking commercial paper issued**	**Letters of credit issued and other facility draws**	**Net amounts available**
Committed					
Syndicated bank credit facility[1]	December 2028	$ 750			
Bank credit facility[1]	November 2025	200			
Bank credit facility[1]	May 2026	150			
Total committed		$ 1,100	$ 145	$ -	$ 955
Uncommitted					
Bank credit facilities[2]	No expiry	340	-	110	230
Bank credit facility	No expiry	25	-	-	25
Total uncommitted		365	-	110	255
Total credit facilities		**$ 1,465**	**$ 145**	**$ 110**	**$ 1,210**

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. In 2023, the syndicated bank credit facility was modified to tie borrowing rates to sustainability targets and extended from November 2027 to December 2028. At March 31, 2024, commercial paper totalling $160 million (December 31, 2023 - $145 million) was issued and outstanding.

2 The Company's uncommitted bank credit facility consists of six bilateral credit facilities totalling $340 million (December 31, 2023 – totalling $340 million) which are restricted to letters of credit. At March 31, 2024, letters of credit totalling $155 million have been issued and outstanding (December 31, 2023 - $110 million) to meet the credit requirements of electricity market participants and to meet conditions of certain service agreements.

The Company's Canadian base shelf prospectus expired in January 2024. The Company expects to continue to raise longer term debt as and when needed by accessing the private or public markets in Canada and/or the U.S.

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

EPCOR's current ratings from S&P Global Ratings are A- with a stable outlook for both its issuer credit rating and senior unsecured debt rating. S&P Global Ratings confirmed both ratings in February 2024. In April 2024, DBRS Morningstar confirmed EPCOR's A (low)/stable senior unsecured debenture rating and R-1 (low)/stable short-term debt. In November 2023, Fitch Ratings assigned its ratings of A-/issuer default rating to EPCOR and A/instrument rating to EPCOR's senior unsecured debt.

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

Financial Covenants

EPCOR is currently in compliance with all of its financial covenants in relation to its committed bank credit facility, Canadian 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.

Risk Factors and Risk Management

This section should be read in conjunction with the Risk Factors and Risk Management section of the 2023 annual MD&A. Risk management is a key component of the Company's culture and we have cost-effective risk management practices in place. Risk management is an ongoing process and we continually review our risks and look for ways to enhance our risk management processes. As part of ongoing risk management practices, the Company reviews current and developing events and proposed transactions to consider their impact on the risk profile of the Company.

Currently, EPCOR's principal risks, in order of severity from most to least serious include political and legislative changes, regulatory, physical impacts of weather and climate-change, failure to attract, retain or develop top talent, cybersecurity, failure of critical equipment and business interruption, project delivery, reputational damage and stakeholder activism, actual performance compared with approved revenue requirement, health and safety, supply chain, credit, public health crisis, groundwater contamination, electricity price and volume, environmental, labour disruption, new business integration, financial liquidity, foreign exchange, conflicts of interest, technological change, significant decline in the economy and other business environment, and other risks.

Litigation Update

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

Certification of Interim Filings

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

The Chief Executive Officer and Chief Financial Officer have reviewed the condensed consolidated interim financial statements and interim MD&A, for the three months ended March 31, 2024. Based on their knowledge and exercise of reasonable diligence, they have concluded that the interim filings do not contain any untrue statement of a material fact or omit to state a material fact and that these documents fairly present in all material respects the financial condition, financial performance and cash flows of the Company as of the date of and for the periods presented.

Future Accounting Standard Changes

A number of new standards, amendments to standards and interpretations have been issued by the IASB and the International Financial Reporting Interpretations Committee, the application of which is effective for periods beginning on or after January 1, 2025. The Company does not expect the implementation of these new accounting pronouncements to have a material impact on its accounting policies.

Critical Accounting Estimates

In preparing the condensed consolidated interim financial statements, management necessarily made estimates in determining transaction amounts and financial statement balances. The following are the items for which significant estimates were made in the condensed consolidated interim financial statements: electricity revenues, costs and unbilled consumption, fair values, income taxes and 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. Interim results will 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. Consequently, interim results are not necessarily indicative of annual results.

For further information on the Company's other critical accounting estimates, refer to the consolidated financial statements and MD&A for the year ended December 31, 2023.

Outlook

For the remainder of 2024, EPCOR will focus on the expansion and construction of wastewater treatment plants and water treatment plants and will continue to target growth in rate-regulated and contracted water, wastewater, and electricity infrastructure. We expect much of this investment to come from lifecycle replacement of existing infrastructure primarily related to the Edmonton and U.S. based operations, new infrastructure, and acquisition of new customers. The Company also intends to expand its water and electricity commercial services activities. The Company's dividend has been increased by 4.3% from $185 million in 2023 to $193 million in 2024.

Quarterly Results

($ millions)	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023
Revenues	$ 885	$ 1,078	$ 1,213	$ 979
Expenses	722	921	1,043	820
Operating income	**163**	**157**	**170**	**159**
Finance expenses	(50)	(50)	(46)	(47)
Income tax recovery (expense)	(9)	(12)	(6)	(10)
Net income	**$ 104**	**$ 95**	**$ 118**	**$ 102**

($ millions)	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022
Revenues	$ 1,107	$ 909	$ 882	$ 555
Expenses	1,022	756	709	420
Operating income	**85**	**153**	**173**	**135**
Finance expenses	(47)	(46)	(40)	(37)
Income tax recovery (expense)	8	(14)	(14)	(5)
Net income	**$ 46**	**$ 93**	**$ 119**	**$ 93**

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.

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.
The Company signed definitive PAs with Samsung for Projects Sandow and Blue Sky, respectively. 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.	The Company is able to complete the remaining work to design and build Projects Sandow and Blue Sky within the required timelines.	The Company is unable to complete the remaining work to design and build Projects Sandow and Blue Sky within the timelines agreed with Samsung.
The Company’s dividend has been increased by 4.3% from $185 million in 2023 to $193 million in 2024.	EPCOR is able to generate the expected cash flow from operations and various means of funding remain available to the Company. There is no further 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.

For further information on the Company’s forward-looking information, refer to the 2023 annual MD&A.

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	**IASB** means International Accounting Standards Board
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 and other unusual items	**PAs** means Project Agreements
AESO means Alberta Electric System Operator	**PBR** means Performance Based Regulation
AUC means the Alberta Utilities Commission	**ROLR** means Rate of Last Resort
EPSP means Energy Price Setting Plan	**RRO** means Regulated Rate Option
GOA means Government of Alberta	**Samsung projects** means the Samsung Austin Semiconductor, LLC projects
IFRS means IFRS Accounting Standards	**the City** means the City of Edmonton

Additional Information

Additional information relating to EPCOR, including the Company's 2023 Annual Information Form, is available on SEDAR+ at www.sedarplus.ca.