EPCOR UTILITIES INC.

Management's Discussion and Analysis

For year ended December 31, 2024

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This management's discussion and analysis (MD&A), dated February 27, 2025 should be read in conjunction with the audited consolidated financial statements and Annual Information Form (AIF) of EPCOR Utilities Inc. for the years ended December 31, 2024 and 2023 including the related notes, and 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 audited consolidated financial statements, which were prepared in accordance with IFRS Accounting Standards (IFRS) as issued by International Accounting Standards Board (IASB) and effective on December 31, 2024 and is presented in Canadian dollars unless otherwise specified.

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 February 27, 2025.

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 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 $88 million and $427 million for the three months and year ended December 31, 2024, respectively, compared with net income of $95 million and $361 million for the comparative periods in 2023, respectively. The decrease of $7 million for the three months ended December 31, 2024 was primarily due to higher depreciation and amortization, finance expenses, and transmission system access service charge net collections, partially offset by higher Adjusted EBITDA (as described below). The increase of $66 million for the year ended December 31, 2024 was primarily due to higher Adjusted EBITDA, fair value adjustments related to financial electricity purchase contracts, partially offset by lower transmission system access service charge net collections, higher depreciation, finance and income tax expenses.

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 $291 million and $1,151 million for the three months and year ended December 31, 2024, respectively, compared with $256 million and $1,061 million for the comparative periods in 2023, respectively. The increase of $35 million and $90 million for the three months and year ended December 31, 2024, respectively, was primarily due to higher rates, consumption, customer growth and commercial activity, partially offset by lower commercial construction activity and higher operating costs. In addition, for the three months ended December 31, 2024, there were higher Energy Price Setting Plan (EPSP) margins.

Strategic and Performance Priorities

EPCOR's vision is to be a premier essential services company 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, ensure its human resources focus and practices result in highly engaged employees 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 existing and new markets, which includes design, build, finance, operating and maintenance services for municipal water and wastewater treatment infrastructure, the provision of potable and process water for industrial customers and the development of contracted water transmission and distribution pipelines. EPCOR also 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, as well as improving water and wastewater treatment plants redundancy and reliability.

EPCOR's electricity strategy includes maintaining and investing in distribution and transmission infrastructure in its Edmonton franchise service area and 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 the Company's infrastructure and may require investments to ensure that electricity systems are strengthened against impacts of climate change and can react to the climate change adaptation strategies of its stakeholders. EPCOR also expects significant capital investment will be required within its Edmonton franchise service area to address continued customer growth and population densification.

We believe the long-term outlook for the North American water, wastewater and electricity businesses remain 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 electricity and wastewater treatment and disposal.

Over the next five years, we plan to invest in water, wastewater and electricity 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 will continue to focus on key initiatives with respect to its employees to ensure the Company has an engaged and available workforce to reach the Company's goals. Given current activities and the Company's plan to grow investment over the next five years, EPCOR will need to focus on human resource capacity to ensure EPCOR has the people necessary to operate its existing business and to prepare for growth in the future. EPCOR will also need to ensure its growing workforce has access to appropriate professional growth and the leadership capabilities to meet the Company's growth objectives. Finally, EPCOR will continue to focus on implementing various initiatives to enhance the Company's employee experience and to allow the Company to attract and retain a strong workforce.

EPCOR plans to invest in initiatives to improve operational excellence across its various businesses. This will primarily be focused on new technology spending and investments to improve customer service and to allow EPCOR's employees to provide services to customers more efficiently and safely.

EPCOR's enterprise risk management practices include a sustainability framework to ensure that the Company is managing risks to long-term performance and meeting the expectations of investors and other stakeholders. In May 2024, EPCOR published its 2023 Sustainability Report. The report started a new three-year cycle for EPCOR's sustainability strategy and included a second-generation Sustainability Scorecard with 20 measures and 15 targets, and information on how the Company addresses sustainability risks and opportunities. The 2023 Sustainability Report is available on the EPCOR website under Sustainability and Community at www.epcor.com.

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.

Operational and financial performance is monitored through non-financial as well as financial measures that fall under these broad categories: health, safety and environment (HSE); operational efficiency; customer service; and net income.

Specific measures are established for each business unit and the corporate shared services group in alignment with the Company's strategy. Business unit and segment measures are focused on customer related measures relevant to the particular business unit and segment, such as customer satisfaction survey results and service reliability metrics. Certain segment performance measures are discussed under Segment Results of this MD&A.

Significant Events

Samsung Austin Semiconductor, LLC (Samsung) Projects

The Company signed two Preliminary Services Agreements, and subsequent amending agreements 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 (PAs) in December 2022 and April 2023 for Projects Sandow and Blue Sky, respectively, 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. Substantial completion on Project Sandow was reached in October 2024 and construction continues on Project Blue Sky. The operation and maintenance period of 30 years will follow final commissioning and startup. Under the terms of the PAs, the Company committed to fund US$300 million during the projects, and the remaining commitment as of December 31, 2024 is US$180 million.

During the year ended December 31, 2024, the Company recorded construction revenues of $979 million (2023 - $1,688 million) related to the Samsung projects, which were recognized on the basis of costs incurred plus an agreed-upon margin. The construction expenditures, totalling $926 million (2023 - $1,615 million), were recorded in other raw materials and operating charges.

At December 31, 2024, the Company recorded $79 million (2023 - $122 million) in the current portion of other financial assets, and $nil (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 $173 million of Project Sandow as at December 31, 2024 (December 31, 2023 - $79 million) and recorded a finance lease receivable, which will be recovered over the term of 30 years after final commissioning and startup.

At December 31, 2024, $73 million (December 31, 2023 - $258 million) due from Samsung is recorded within trade and other receivables.

Harmony Advanced Water Systems Corporation Ownership (HAWSCo) Transfer

On June 10, 2024, HAWSCo and EPCOR entered into an agreement for EPCOR to acquire the shares of HAWSCo through a share purchase agreement with Harmony Developments Inc. (HDI). The assets acquired include the water and wastewater utility systems to residential and commercial developments for the master-planned community of Harmony near Calgary, Alberta. The agreement received regulatory approval in the third quarter and the transaction closed on October 4, 2024 for consideration of $20 million including upfront payment of cash of $15 million and $5 million in contingent consideration. The contingent consideration liabilities will be paid to HDI if certain operational results are achieved.

Shulus Electricity Transmission Line Limited Partnership (Shulus) Acquisition

On November 20, 2024, EPCOR acquired a 45% interest in Shulus from Valard Construction LP. Located south of Merritt, B.C. and majority owned by the Lower Nicola Indian Band Development Corporation (LNIBDC), Shulus owns, operates and maintains the Kingsvale Transmission Line. The line connects to BC Hydro's transmission line and provides power to Trans Mountain's Kingsvale pump station. The Company operates and maintains the infrastructure pursuant to an operations and maintenance agreement with Shulus with a term of 20 years with an automatic renewal for another 20-year term. The Company made a capital contribution of $4 million into the partnership. The equity method is used to account for this investment and the carrying amount of the investment was $4 million at December 31, 2024.

Appointment to the Board of Directors

Effective November 1, 2024, Brent Hesje was appointed to EPCOR's Board of Directors.

Dividend Increase

The EPCOR dividend to its sole shareholder, the City of Edmonton (the City), is being increased from $193 million in 2024 to $201 million in 2025.

Material Accounting Policies Information

The audited consolidated financial statements for the years ended December 31, 2024 and 2023 have been prepared in accordance with IFRS. The Company adopted amendments to various accounting standards effective January 1, 2024, which did not have a material impact on its consolidated financial statements. Management used judgement to determine that information is material if, when considered with other information included in its financial statements, it could influence decisions users make on the basis of financial information.

Consolidated Financial Information

(Unaudited, $ millions) **Year ended December 31,**	**2024**	**2023**	**2022**
Revenues	$ 3,395	$ 4,377	$ 2,937
Adjusted EBITDA	1,151	1,061	930
Net income	427	361	379
Capital expenditures	1,019	988	920
Total assets	16,415	15,419	14,606
Loans and borrowings (non-current)	4,919	4,456	4,040
Other liabilities (non-current)	131	135	169
Common share dividends	193	185	177

Revenues

(Unaudited, $ millions)	**Three months ended December 31,**		**Year ended December 31,**	
	2024	**2023**	**2024**	**2023**
Water Services segment	$ 213	$ 193	$ 848	$ 776
Distribution and Transmission segment	126	128	486	492
Energy Services segment	98	153	421	868
North American Commercial Services segment	259	534	1,317	1,975
U.S. Regulated Water segment	117	89	384	333
Other	2	-	9	3
Intersegment eliminations	(19)	(19)	(70)	(70)
Revenues	**$ 796**	**$ 1,078**	**$ 3,395**	**$ 4,377**

Consolidated revenues were lower by $282 million and $982 million for the three months and year ended December 31, 2024, respectively, compared with the corresponding periods in 2023, primarily due to the net impact of the following:

- Water Services segment revenues increased by $20 million and $72 million for the three months and year ended December 31, 2024, respectively, compared with the corresponding periods in 2023, primarily due to higher rates, consumption and customer growth.
- Distribution and Transmission segment revenues decreased by $2 million and $6 million for the three months and year ended December 31, 2024, respectively, compared with the corresponding periods in 2023 primarily due to lower transmission system access service charge net collections, partially offset by higher distribution and transmission rates and higher distribution volumes.
- Energy Services segment revenues decreased by $55 million and $447 million for the three months and year ended December 31, 2024, respectively, compared with the corresponding periods in 2023, primarily due to lower electricity rates and volumes resulting from fewer Regulated Rate Option (RRO) customer sites, partially

offset by higher competitive revenues due to increased sites and service fees.

- North American Commercial Services segment revenues decreased by $275 million and $658 million for the three months and year ended December 31, 2024, respectively, compared with the corresponding periods in 2023, primarily due to lower Samsung construction revenues, partially offset by higher commercial activity related to operation and maintenance revenues and foreign exchange. In addition, for the year ended December 31, 2024, there was higher commercial activity related to groundwater reservation fees.
- U.S. Regulated Water segment revenues increased by $28 million and $51 million for the three months and year ended December 31, 2024, respectively, compared with the corresponding periods in 2023, primarily due to deferred revenue recognized related to higher developer contributions in 2024 and higher rates, consumption and customer growth.

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 December 31, 2024	2023	Year ended December 31, 2024	2023
Adjusted EBITDA by Segment				
Water Services segment	$ 114	$ 104	$ 488	$ 436
Distribution and Transmission segment	66	59	283	253
Energy Services segment	13	7	54	54
North American Commercial Services segment	22	20	89	105
U.S. Regulated Water segment	61	53	198	180
Other	15	13	39	33
Adjusted EBITDA	**291**	**256**	**1,151**	**1,061**
Finance expenses	(54)	(50)	(207)	(190)
Income tax expense	(8)	(12)	(34)	(20)
Depreciation and amortization	(138)	(112)	(465)	(429)
Change in fair value of financial electricity purchase contracts	(1)	2	5	(83)
Transmission system access service charge net collections	(2)	11	(23)	22
Net income	**$ 88**	**$ 95**	**$ 427**	**$ 361**

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

- Higher finance expense of $4 million and $17 million for the three months and year ended December 31, 2024, respectively, was primarily due to interest expense on long-term debt issued in the fourth quarter of December 2023 and the second and fourth quarter of 2024, partially offset by higher capitalized interest and lower interest on short term debt.
- Lower income tax expense of $4 million for the three months ended December 31, 2024, was primarily due to lower income subject to tax in North American Commercial Services resulting from decreased income from the Samsung Projects. Higher income tax expense of $14 million for the year end December 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, partially offset by lower income subject to tax in North American Commercial Services resulting from decreased income from the Samsung Projects.
- Higher depreciation and amortization of $26 million and $36 million for the three months and year ended December 31, 2024, respectively, was primarily due to additional assets placed in service and losses on disposal from asset retirements.
- Unfavourable changes in the fair value of financial electricity purchase contracts of $3 million for the three months ended December 31, 2024 compared with the same period in 2023, was primarily due to contracted prices being higher than electricity market forward prices in 2024 compared to market forward prices being higher than contracted prices in 2023. Favourable changes in the fair value of financial electricity purchase contracts of $88 million for the year ended December 31, 2024 compared with the year ended 2023, was primarily driven by the reversal of unrealized gains recorded in 2023.
- Lower transmission system access service charge net collections of $13 million and $45 million for the three months and year ended December 31, 2024, respectively.

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' 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.

The current PBR for Water Services covers the five-year period effective from April 1, 2022 to March 31, 2027, while the current PBR for Drainage Services and Wastewater Treatment covers a three-year period effective from April 1, 2022 to March 31, 2025. These PBR 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.

With the scheduled expiration of the EPCOR Drainage Services and Wastewater Treatment Bylaw on March 31, 2025, a new bylaw for these services has been approved for the two-year and nine-month period from April 1, 2025 to December 31, 2027.The approval does not include a consumption deferral account.

Bylaw 19626 related to Water Services includes an allowed return on equity (ROE) of 9.64%. For the April 2022 to March 2027 period, the City approved two non-routine adjustments (NRA) to the water rates. The first NRA relates to the relocation of water distribution assets due to light rail transit construction and road projects was added to the fixed monthly service charges starting on April 1, 2024. The second NRA relates to new transmission mains required to support growth of the City and will be added to the fixed monthly service charges starting on April 1, 2025.

Bylaw 19627 related to Drainage Services and Wastewater Treatment for the period from April 1, 2022 to March 31, 2025 includes an allowed ROE for Wastewater Treatment of 9.64% and an allowed rate of 9.95% for Drainage Services. The ROE for Drainage Services is being implemented on an inclining basis, starting at 5.50% in 2022 and resulting in an average ROE of 7.14% over the current PBR term ending March 31, 2025. 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 term of the PBR from April 1, 2022 to March 31, 2025, with an approved ROE of 9.95%. The SIRP Strategy focuses on addressing flood mitigation risks in the City. SIRP will also achieve environmental quality objectives by capturing peak storm water volumes at the source using green infrastructure Low Impact Development 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 sulfide gas (H2S), which will reduce community odour impacts and lengthen the life of sewer network assets by mitigating sanitary pipe corrosion caused by H2S.

Bylaw 20865 related to Wastewater Services for the period from April 1, 2025 to December 31, 2027 was approved on February 4, 2025 and includes an allowed ROE of 10.50%. The allowed ROE for Wastewater Collection (previously called Drainage) escalates over the PBR term and will be 9.0% in 2025, 9.9% in 2026 and 10.5% in 2027. Additionally, a refund of the consumption deferral account that accumulated over the April 1, 2022 to March 31, 2025 period has been factored into customer rates in the April 1, 2025 to December 31, 2027 period.

Operationally, the facilities owned or managed by Water Services generally performed according to plan in 2024. 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 and higher temperatures in 2024.

In 2024, the Company invested in sustaining and lifecycle projects including relocation of utility infrastructure, odour and flood mitigation projects and advanced metering infrastructure.

Water Services Operating Income and Adjusted EBITDA

(Unaudited, $ millions, including intersegment transactions)	Three months ended December 31,		Year ended December 31,	
	2024	**2023**	**2024**	**2023**
Revenues	$ 213	$ 193	$ 848	$ 776
Expenses	158	146	562	537
Operating income	**55**	**47**	**286**	**239**
Exclude depreciation and amortization	59	57	202	197
Adjusted EBITDA	**$ 114**	**$ 104**	**$ 488**	**$ 436**

Water Services' Adjusted EBITDA increased by $10 million and $52 million for the three months and year ended December 31, 2024, respectively, compared with the corresponding periods in 2023, primarily due to higher rates, consumption and customer growth, partially offset by higher staff costs and employee benefits.

Distribution and Transmission

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

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 solely to the Alberta Electric System Operator (AESO). The distribution services are provided to retailers within Distribution and Transmission's 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.

EPCOR received a decision in October 2023 that approved the continuation of a PBR, similar to the framework in the previous plan for the years 2024 to 2028 with some modifications to include an earnings sharing mechanism, increased capital funding provisions and adjustments 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 received the final approval of its 2025 annual PBR rate in December 2024.

EPCOR has the exclusive right to provide electricity distribution services in Edmonton under a 20-year franchise agreement between Distribution and Transmission and the City. The franchise agreement expired in January 2024 but it continued to be in effect during the negotiation of a new agreement in 2024. A new franchise agreement was approved by City Council on November 13, 2024 and, subject to approval by the AUC, will become effective on March 17, 2025. The new agreement has a 10-year term with options to renew for two more terms of five years each.

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. EPCOR will file a new cost-of-service application with the AUC in the second half 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 was 9.28%. For the 2025 fiscal year, the AUC approved return on equity will be 8.97%.

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, 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 was 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 a proceeding has been initiated to address the Court's findings. EPCOR has submitted its written submissions on the issues to be addressed and the process schedule for the proceeding has been released by the AUC. In compliance with the original decision, the Company continues to include contribution related expenses in its deferral account as incurred.

Work on several significant capital projects proceeded in 2024. These projects include completed construction of a new substation to facilitate interconnection of two new power generation units, life cycle replacements of transmission power transformers, ongoing work to connect new residential and industrial customers to EPCOR's distribution system, the annual Distribution pole and cable life cycle replacement programs to maintain the system reliability, replacing damaged underground and aerial assets, 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.

Distribution and Transmission Operating Income and Adjusted EBITDA

(Unaudited, $ millions, including intersegment transactions)	Three months ended December 31,		Year ended December 31,	
	2024	**2023**	**2024**	**2023**
Revenues	$ 126	$ 128	$ 486	$ 492
Expenses	94	87	345	327
Operating income	**32**	**41**	**141**	**165**
Exclude depreciation and amortization	31	28	117	110
Exclude transmission system access service charge net collections	3	(10)	25	(22)
Adjusted EBITDA	**$ 66**	**$ 59**	**$ 283**	**$ 253**

Distribution and Transmission's Adjusted EBITDA increased by $7 million and $30 million for the three months and year ended December 31, 2024, respectively, compared with the corresponding periods in 2023, primarily due to increases in distribution and transmission rates and higher distribution volumes, partially offset by higher operating costs.

Energy Services

Energy Services is primarily involved in the provision of regulated and default supply electricity services to customers in Alberta in addition to the procurement of electricity required to serve the Company's customer load requirements. The segment also provides competitive electricity and natural gas products under the Encor brand.

In December 2022, the Government of Alberta (GOA) passed Bill 2 and implemented a 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 on electricity consumed between April 1, 2023 and December 31, 2024. The Company received interest free funding from the GOA for the customer deferrals and, as at December 31, 2024, had $14 million remaining to repay, recorded in the current portion of other liabilities.

The 2023-2024 Non-Energy rate application was filed in September 2023 and the decision was received in June 2024. The final rates were approved and went into effect on September 1, 2024. In November 2024, Non-Energy interim rates for 2025 were filed and subsequently approved by the AUC in December 2024. The Non-Energy interim rates are effective from January 1, 2025. A 2025-2027 Non-Energy rate application will be filed in the first half of 2025.

Application for a new 2024-2025 Energy Price Setting Plan (EPSP) was filed in December 2023 and a favourable decision was received in June 2024. The 2021-2024 EPSP was effective until the end of October 2024 and the 2024-2025 EPSP was effective until December 31, 2024.

On April 18, 2024, the Government of Alberta (GOA) announced the first steps in the initiative to adapt the market to better deliver on affordability, reliability, and sustainability. The Utilities Affordability Statues Amendment Act (the "Act") was proclaimed on June 20, 2024 with the introduction of the Rate of Last Resort Regulation (RoLR Regulation) on October 2, 2024. The Act is intended to make default electricity rates more stable by being set for each regulated retailer once for the initial two years, with a 10% rate adjustment cap for the following two years. Under the RoLR Regulation, a new 2025-2028 EPSP application was filed in October 2024. The application included the calculation of the electricity rate for 2025-2026, which were agreed after negotiated settlement proceedings. On November 29, 2024, the AUC approved the 2025-2028 EPSP and 2025-2026 RoLR rate, which is effective from January 1, 2025.

To manage its commodity price exposure related to the RoLR and arising from other aspects of its business, the Company has established an Energy Management group within Energy Services. The Energy Management group enters into financial electricity purchase contracts to fix the Company's future electricity procurement costs and provide wholesale energy supply services including commodity settlement for RoLR and competitive customers through load following agreements, thereby managing the Company's exposure related to customer load and fluctuating wholesale electricity spot prices.

Energy Services Operating Income and Adjusted EBITDA

(Unaudited, $ millions, including intersegment transactions)	Three months ended December 31,				Year ended December 31,			
		2024		**2023**		**2024**		**2023**
Revenues	$	98	$	153	$	421	$	868
Expenses		88		147		370		906
Operating income		**10**		**6**		**51**		**(38)**
Exclude depreciation and amortization		2		3		8		9
Exclude change in fair value of financial electricity purchase contracts		1		(2)		(5)		83
Adjusted EBITDA	**$**	**13**	**$**	**7**	**$**	**54**	**$**	**54**

Energy Services' Adjusted EBITDA increased by $6 million and remained the same for the three months and year ended December 31, 2024, respectively, compared with the corresponding periods in 2023, primarily due to higher EPSP and competitive margins and lower provision for expected credit losses. Additionally, for the year ended, there were lower EPSP margins, partially offset by higher competitive margins and lower provision for expected credit losses.

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.

EPCOR operates and maintains water and wastewater facilities under contracts with various municipal and industrial customers in Alberta, British Columbia, Saskatchewan and Ontario. The most significant of these contracts are with the City of Regina and Ontario Power Generation. EPCOR operates the wastewater treatment plant located in Regina under a 30-year agreement that includes upgrades to the existing plant completed in prior years, operating the plant and partial financing of the completed upgrades. EPCOR's construction of a demineralized water treatment plant at the Darlington Nuclear Generating Station under a design, build, own, operate, maintain and transfer agreement with Ontario Power Generation was substantially complete and the facility was placed into service in 2024, prompting the start of the 30-year operation and maintenance period. A 7-day performance test is still required to be completed, which is planned for early 2025. North American Commercial Services operates the acquired HAWSCo to provide water and wastewater utility services to residential and commercial developments for the master-planned community of Harmony near Calgary, Alberta (see the significant events section above).

On November 8, 2024, EPCOR entered into an agreement with Bruce Power L.P. (Bruce Power) to design, build, and finance Bruce Power's potable water distribution assets. Refer to the contractual obligations section for more information.

The Company signed PAs with Samsung 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. Substantial completion on Project Sandow was reached in October 2024 and construction continues on Project Blue Sky. The operation and maintenance period of 30 years will follow final commissioning and startup.

North American Commercial Services operates non-regulated water services in Texas, U.S. The EPCOR 130 Pipeline delivers water through a 30-inch pipeline to municipal customers near Austin, Texas under three long-term contracts. EPCOR operates and maintains 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. While these wholesale water contracts are technically subject to Texas Public Utilities Commission appellate review, they are considered to be effectively unregulated.

EPCOR Gas Texas Inc. provides natural gas distribution and transmission services to customers in Texas and the utility's rates are subject to approval by the Railroad Commission of Texas. EPCOR Natural Gas Limited Partnership owns and operates the Aylmer and the Southern Bruce natural gas distribution systems in southwestern Ontario, and its customer rates are regulated by the Ontario Energy Board (OEB). EPCOR Electricity Distribution Ontario Inc., whose customer rates are also regulated by the OEB, provides electrical distribution services in the Ontario to four communities in the Collingwood area.

EPCOR maintains electrical transmission and substation infrastructure along the Trans Mountain pipeline expansion project under a 20-year design, build, own, maintain and transfer agreement with Trans Mountain Pipeline L.P. As noted above in the significant events section, on November 20, 2024, EPCOR acquired a 45% interest in Shulus Valard Construction LP. The Company operates and maintains the infrastructure pursuant to an operations and maintenance agreement with Shulus with a term of 20 years with an automatic renewal for another 20-year term.

North American Commercial Services Operating Income and Adjusted EBITDA

(Unaudited, $ millions, including intersegment transactions)	Three months ended December 31,		Year ended December 31,	
	2024	**2023**	**2024**	**2023**
Revenues	$ 259	$ 534	$ 1,317	$ 1,975
Expenses	240	518	1,241	1,883
Operating income	**19**	**16**	**76**	**92**
Exclude depreciation and amortization	4	5	15	13
Exclude transmission system access service charge net collections	(1)	(1)	(2)	-
Adjusted EBITDA	**$ 22**	**$ 20**	**$ 89**	**$ 105**

North American Commercial Services' Adjusted EBITDA increased by $2 million for the three months ended December 31, 2024 compared with the corresponding period in 2023 due to higher commercial activity related to operation and maintenance margins, partially offset by lower construction activity for the Samsung projects.

North American Commercial Services' Adjusted EBITDA decreased by $16 million for the year ended December 31, 2024 compared with the corresponding period in 2023 due to lower construction activity for the Samsung projects, partially offset by higher commercial activity related to operation and maintenance margins and groundwater reservation fees.

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. As of

December 31, 2024, 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.

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.

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. In June 2024, the Company filed a rate case for the San Tan Water and Wastewater districts with the ACC. The Company expects to receive a decision in late 2025 or early 2026.

Work on several significant capital projects progressed satisfactorily in 2024. These projects include the sewer main extension and wastewater treatment plant expansion west of metropolitan Phoenix to accommodate new industrial and commercial customers and construction of a new wastewater treatment plant in the San Tan district.

U.S. Regulated Water Operating Income and Adjusted EBITDA

(Unaudited, $ millions, including intersegment transactions)	Three months ended December 31,		Year ended December 31,	
	2024	**2023**	**2024**	**2023**
Revenues	$ 117	$ 89	$ 384	$ 333
Expenses	90	50	281	226
Operating income	**27**	**39**	**103**	**107**
Exclude depreciation and amortization	34	14	95	73
Adjusted EBITDA	**$ 61**	**$ 53**	**$ 198**	**$ 180**

U.S. Regulated Water Adjusted EBITDA increased by $8 million and $18 million for the three months and year ended December 31, 2024, respectively, compared with the corresponding periods in 2023, primarily due to increased deferred revenue recognized, higher rates, consumption and customer growth, partially offset by higher operating expenses primarily due to higher water and power costs.

Capital Expenditures

(Unaudited, $ millions) **Year ended December 31,**	**2024**	**2023**	**2022 (restated)[1]**
Water Services segment	$ 462	$ 444	$ 437
Distribution and Transmission segment	287	320	277
Energy Services segment	2	1	1
U.S. Regulated Water segment	203	179	153
North American Commercial Services	50	26	43
Other	15	18	9
Total capital expenditures	**$ 1,019**	**$ 988**	**$ 920**

1. During the fourth quarter of 2023, the Company realigned its operating segments to reflect the results of an internal reorganization. The reorganization 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 2022 have been restated to align with the new reportable segment presentation.

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 expenditures increased by $31 million for the year ended December 31, 2024, compared with 2023 primarily due to higher spending in the Company's Water Services segment for advanced metering infrastructure, and higher spending in the North American Commercial Services segment for the EPCOR 130 expansion project and new developments in Texas Gas. This is partially offset by lower spending in the Company's Distribution and Transmission segment on a new substation to facilitate interconnection of two new power generation units in 2023.

Consolidated Statements of Financial Position – Assets

(Unaudited, $ millions)	December 31 2024	December 31 2023	Increase (decrease)	Explanation of primary changes
Cash and cash equivalents	$ 62	$ 25	$ 37	Refer to Consolidated Statements of Cash Flows section.
Trade and other receivables	668	931	(263)	Lower construction, retail energy and RRO Stability Act receivables, partially offset by higher water and wastewater receivables.
Inventories	30	29	1	Immaterial
Other financial assets	633	514	119	Higher finance lease receivable, primarily related to Project Sandow, and increases in other long-term receivables, partially offset by lower unbilled construction receivables and lower derivative financial assets.
Deferred tax assets	66	75	(9)	Decreases in non-capital loss carryforward balances resulting from higher income subject to tax in Canada, which includes the changes in the fair value of electricity purchase contracts in Energy Services.
Property, plant and equipment	14,408	13,306	1,102	Increase due to capital expenditures and foreign currency exchange valuation adjustments, partially offset by depreciation expense.
Intangible assets and goodwill	548	539	9	Increase due to foreign currency exchange valuation adjustments and capital expenditures, partially offset by amortization expense.
Total Assets	**$ 16,415**	**$ 15,419**	**$ 996**	

Consolidated Statements of Financial Position – Liabilities and Equity

(Unaudited, $ millions)	December 31 2024	December 31 2023	Increase (decrease)	Explanation of primary changes
Trade and other payables	$ 727	$ 853	$ (126)	Lower construction payables related to Samsung and various other projects, lower volumes and prices for purchased electricity.
Loans and borrowings	5,104	4,741	363	Issuance of long-term debt, foreign currency valuation adjustments and higher short-term debt balance, partially offset by principal repayments of long-term debt.
Deferred revenue	5,258	4,798	460	Cash and asset contributions received and foreign currency valuation adjustments, partially offset by deferred revenue recognized.
Provisions	197	198	(1)	Transfers to deferred revenue, net of receipt of construction advances, partially offset by higher employee benefit accruals.
Other liabilities	180	256	(76)	Repayments of funding received under the RRO Stability Act and payments of lease liabilities.
Deferred tax liabilities	104	78	26	Increase in the net deferred tax liability for the U.S. Regulated Water segment and foreign exchange translation adjustments.
Equity	4,845	4,495	350	Comprehensive income less dividends
Total liabilities and equity	**$ 16,415**	**$ 15,419**	**$ 996**	

Consolidated Statements of Cash Flows

(Unaudited, $ millions)
Cash inflows (outflows)

Three months ended December 31,	**2024**	**2023**	**Increase (decrease)**	**Explanation of primary changes**
Operating	$ 264	$ 214	$ 50	Changes in non-cash operating working capital, partially offset by lower operating income.
Investing	(418)	(337)	(81)	Changes in non-cash investing working capital, increase in capital expenditures and business acquisition of HAWSCo, partially offset by funding of the finance lease receivable related to Project Sandow in the fourth quarter of 2023.
Financing	170	18	152	Higher net issuance of short-term debt, partially offset by lower proceeds from issuance of long-term debt in the fourth quarter of 2024 compared to 2023.
Opening cash	46	130	(84)	
Closing cash	**$ 62**	**$ 25**	**$ 37**	

(Unaudited, $ millions)
Cash inflows (outflows)

Year ended December 31,	**2024**	**2023**	**Increase (decrease)**	**Explanation of primary changes**
Operating	$ 1,235	$ 845	$ 390	Changes in non-cash operating working capital and increase in operating income.
Investing	(1,243)	(1,041)	(202)	Changes in non-cash investing working capital, changes in other financial assets, increase in capital expenditures and business acquisition of HAWSCo.
Financing	45	91	(46)	Repayment of RRO Stability Act funding received in 2023, lower proceeds from the issuance of long-term debt in 2024 compared to 2023, partially offset by higher net issuances of short-term debt.
Opening cash	25	130	(105)	
Closing cash	**$ 62**	**$ 25**	**$ 37**	

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 year, 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 expenditures in 2025 are estimated to range between $1,000 million and $1,240 million.

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

(Unaudited, $ millions)	2025	2026	2027	2028	2029	2030 and thereafter	Total
U.S. Regulated Water purchase and transportation of water agreements[1]	$ 15	$ 3	$ 3	$ 3	$ 3	$ 3	$ 30
U.S. Regulated Water billing and customer care services agreement[2]	5	5	5	5	5	6	31
The Company's remaining investment in Samsung projects[3]	259	-	-	-	-	-	259
Sandow Lakes Ranch[4]	17	17	18	18	19	593	682
Bruce Power[5]	26	4	-	-	-	-	30
Loans and borrowings[6]	185	34	33	33	183	4,627	5,095
Interest payments on loans and borrowings	216	215	213	210	208	3,438	4,500
Contingent consideration[7]	-	-	50	3	-	-	53
Lease liability payments[8]	14	13	13	13	12	25	90
Financial electricity purchase contracts[9]	69	55	-	-	-	-	124
Other	63	10	7	1	1	21	103
Total contractual obligations	**$ 869**	**$ 356**	**$ 342**	**$ 286**	**$ 431**	**$ 8,713**	**$ 10,997**

1. The Company entered into a contract with the Central Arizona Water Conservation District for the purchase and transportation of water.

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

3. Under the PAs executed with Samsung (as described in the Significant Events section on page 3), the Company committed to invest US$300 million of the projects. At December 31, 2024, the Company has invested $US120 million.

4. The Company entered into a sub-contract with Sandow Lakes Ranch for utilization of their waste disposal facilities and the reservation and supply of water to Samsung.

5. The Company entered into contracts for the design, build and finance of the Bruce Power Potable Water Distribution assets.

6. During the year, the Company issued $470 million long-term senior unsecured debentures for a term of 30 years with a coupon rate of 4.99% and an effective interest rate of 4.82%. The debentures were issued at a premium with a face value

of $450 million. The interest is payable semi-annually and the principal is due at maturity. For additional information on loans and borrowings, refer to Loans and Borrowings (note 16) of the consolidated financial statements for the years ended December 31, 2024 and 2023.

7. The contingent consideration represents the present value of the Company's commitment to pay approximately US$33 million on securing newly executed long-term contracts for the supply of water by EPCOR 130 Project Inc. and finalization of certain pending agreements with third parties and $5 million on the Harmony share purchase acquisition. The Company is reasonably certain that it will be required to settle the commitment related to EPCOR 130 Project Inc. and Harmony by way of cash payments and, accordingly, recognized the liability for contingent consideration in the consolidated statements of financial position.

8. The Company entered into various agreements for lease of land and buildings including office space. For additional information on lease liabilities, refer to EPCOR's consolidated financial statements for the years ended December 31, 2024 and 2023.

9. The Company entered into financial electricity purchase contracts to backstop the load requirements and fix the Company's future electricity procurement costs. The estimates for these contracts are subject to changes in expected load requirements. For additional information on financial electricity purchase contracts, refer to Financial risk management (note 25) of the consolidated financial statements for the years ended December 31, 2024 and 2023.

As at February 27, 2025, there were three common shares of the Company outstanding, all of which are owned by the City. During the year ended December 31, 2024, the Company paid a dividend of $193 million to the City which will be increased to $201 million in 2025 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, 2024, guarantees of $934 million (2023 - $641 million) have been issued to various third parties.

Financing Updates

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 related to utility assets transferred from the City, debentures payable to 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:

(Unaudited, $ millions) **December 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]	November 2029	$ 750			
Bank credit facility[1]	November 2027	200			
Bank credit facility[1]	November 2028	150			
Total committed		$ 1,100	$ 152	$ -	$ 948
Uncommitted					
Bank credit facilities[2]	No expiry	340	-	93	247
Bank credit facility	No expiry	25	-	-	25
Total uncommitted		365	-	93	272
Total credit facilities		**$ 1,465**	**$ 152**	**$ 93**	**$ 1,220**

(Unaudited, $ 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. At December 31, 2024, commercial paper totalling $152 million (2023 - $145 million) were issued and outstanding.

2. The Company's uncommitted bank credit facility consists of six bilateral credit facilities totalling $340 million (2023 – six credit facilities totalling $340 million) which are restricted to letters of credit. At December 31, 2024, letters of credit totalling $93 million have been issued and outstanding (2023 - $110 million) to meet the credit requirements of electricity market participants and to meet conditions of certain service agreements.

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

(Unaudited) Year ended December 31,	**2024**	**2023**	**2022**
Credit ratings			
S&P Global Ratings:			
Issuer credit rating and senior unsecured debt rating	n/a[1]	A-	A-
DBRS Morningstar:			
Commercial paper rating	R-1 (low)	R-1 (low)	R-1 (low)
Issuer rating and senior unsecured debentures rating	A (low)	A (low)	A (low)
Fitch Ratings:			
Issuer default rating	A-	A-	n/a
Instrument rating	A	A	n/a

1. At the request of EPCOR, S&P Global Ratings withdrew its A-/stable issuer and senior unsecured debenture ratings on July 18, 2024.

In December 2024, DBRS Morningstar confirmed its A (low) / stable senior unsecured debt and R-1 (low) / stable short-term debt.

In November 2024, 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.

The key financial covenants and their thresholds, as defined in the respective agreements and EPCOR's actual measures at December 31, 2024 and 2023 were as follows:

(Unaudited)	Threshold	Actual 2024	Actual 2023
Modified consolidated net tangible assets to consolidated net tangible assets[1]	> or = 80%	100%	100%
Consolidated senior debt to consolidated capitalization ratio[2]	< or = 75%	52%	52%
Interest coverage ratio[3]	> or = 1.75:1.00	4.56	4.55
Debt issued by subsidiaries to consolidated net tangible assets[4]	< or = 12.5%	0.0%	0.1%

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.

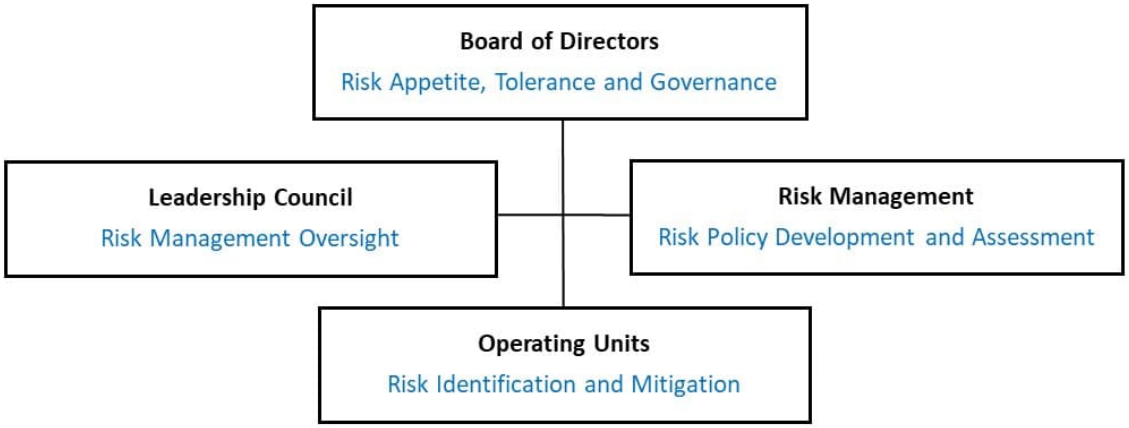
4. Limitation of debt issued by subsidiaries refers to the total debt held by the Company's subsidiaries that is not guaranteed by the Company plus total debt held by material subsidiaries which is secured by the subsidiaries' assets, expressed as a percentage of the Company's total assets less any intangible assets.

Outlook

In 2025, 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 and new infrastructure. The Company also intends to expand its water and electricity commercial services activities. The Company may also review its operations from time-to-time and divest of those that are no longer viewed as strategic.

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 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 operating unit activities are monitored by a cross-functional ERM Committee, chaired by the Director, Audit and Risk Management, which meets quarterly to review risks and to provide input into the quarterly ERM Board report. These risk management actions 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.

The Company's principal risks are outlined below in order of most to least potentially serious, as assessed at December 31, 2024. Since December 31, 2023, new risks have been added, certain risks have been removed, and 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 local processes.

EPCOR is a municipally controlled and subsidiary corporation of the City. The Municipal Government Act (MGA) contains provisions that 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 GOA to extend the exemption past June 30, 2028.

The evolving structure of Alberta's energy market is aimed at adapting the market to better deliver on reliability, affordability and sustainability, however it does present a forward-looking risk as it may result in changes to market design, regulatory frameworks, and pricing mechanisms.

We recognize the importance of remaining engaged on all of these emerging issues and are actively participating in discussions with industry stakeholders, regulators, and policymakers to help shape and respond to these developments. Our commitment to proactive engagement ensures that we remain well-informed and positioned to adapt to potential market transitions.

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. With respect to many of EPCOR's U.S. operations, U.S. regulatory frameworks require utilities to apply a historic test year methodology to establish revenue requirements which further exposes the Company to changing market conditions, such as interest and inflation fluctuations.

EPCOR's water treatment and distribution services to customers within Edmonton are rate regulated by Edmonton City Council pursuant to the Edmonton Water Bylaw. EPCOR's sanitary and stormwater collection services and wastewater treatment services to customers within Edmonton are rate regulated by Edmonton City Council pursuant to the Drainage and Wastewater Treatment 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 PBR structure for electricity distribution utilities in Alberta. Under the PBR framework, 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, dependent on specific criteria. 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 PBR 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.

Effective January 1, 2025 the RRO has been replaced with the RoLR. As a regulated electricity provider, EPCOR will provide the electricity to RoLR customers at a fixed two-year rate in alignment with the Government of Alberta's new legislation. The AUC has approved the EPCOR RoLR rate at 12.01 cents/kWh. Refer to the Electricity Price and Volume section for further information.

Beyond the RoLR regulation, the Alberta government is continuing to review options for reducing transmission and distribution costs for Albertans. While EPCOR doesn't anticipate that these government change would impact our ability to reasonably recover our costs or achieve our ROE, these changes could significantly impact customer perceptions or how costs are distributed amongst rate payers.

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.

Electricity Price and Volume

Effective January 1, 2025 the Government of Alberta has changed the RRO to RoLR. The RoLR Regulation sets out a four-year price stability period where the price for the first two years (2025/2026) was approved in 2024, followed by a second price period (2027/2028) where the price can be adjusted by a cap of 10%. The approved RoLR rate is intended to cover energy procurement and related costs and a fair return margin. As a regulated electricity provider, the AUC has approved EPCOR's 2025/2026 RoLR rate at 12.01 cents/kWh.

Although EPCOR will have latitude to manage energy procurement in a way that suits our risk tolerance, customers will have an unlimited ability to enter or exit RoLR service throughout the stability period, adding to volume risk. This would be likely if the underlying energy market price (and thus competitive contract prices) are higher than the RoLR. EPCOR could be in the position where customers are switching back to the RoLR, which could leave the Company short and potentially not able to acquire energy for those customers at a price lower than what it can charge customers. Alternatively, customers could leave the RoLR faster than forecasted in conjunction with lower than anticipated wholesale energy prices. This would potentially leave EPCOR over supplied if it had acquired hedges for these customers and would have to sell back this energy at lower prices than it acquired it for.

During the four-year price stability period, the demand and supply mix has the potential to change significantly as it is uncertain how much new firm generation will be available during that time. The uncertainty in the demand/supply mix is further exacerbated by the government changes related to the Restructured Energy Market (REM). The REM is currently under development, and it is anticipated to be implemented in 2027. Currently, the key aspects of the REM are unknown, causing uncertainty in the energy market.

EPCOR will also have the opportunity, and the exposure, to a "rate reopener" mechanism, and a requirement to provide ongoing reporting to the Market Surveillance Administrator on the financial performance of the regulated retail electricity business, which will be a consideration in any rate reopener proceeding.

The Company has been analyzing risk mitigation strategies and conducting quantitative analysis to best mitigate the RoLR risk and address future exposures. In addition, a commodity exposure management program and Risk Oversight Committee consisting of senior management representatives appointed by the President and CEO have been established to monitor the Company's commodity exposure. For the 2025 and 2026 years, EPCOR has entered into load following financial electricity purchase contracts to fix the Company's procurement cost for the RoLR customers. The contracts are settled based on actual electricity consumed by the RoLR customers. As such, both the volume and price risk have been mitigated. The Company will continue to enter into contracts to hedge its exposure for the future years.

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, reputational impacts, 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 labour, strikes, regulatory matters, etc.

Physical Impacts of Weather and Climate Change

Normal weather can have a significant impact on our operations. Melting snow, freeze and 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 developed a long-term SIRP for Edmonton that will prioritize infrastructure investments to help mitigate the impact of urban flooding events.

Extreme heat can have adverse impacts on EPCOR's assets, and require the suspension of outdoor work at peak heat times, due to concerns for the safety of the employees. Employee safety is particularly relevant for employees in EPCOR's U.S. operations, where the Company experienced prolonged heat events in 2024. Moreover, as temperature rises, the efficiency of electrical equipment decreases, which puts a strain on the electricity operations in Alberta and Ontario and British Columbia as well as electrical equipment supporting Water operations in Arizona. 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.

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 plans to mitigate the Company's exposure to flooding of the North Saskatchewan River valley including engineered solutions, some of which have already been deployed. Progress on EPCOR's flood mitigation strategies in reported on in the Sustainability Report, with a target completion of the Water Treatment plants by 2027.

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 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.

Failure of Critical Equipment and Business Interruption

The Company's operations are exposed to potential equipment failure and certain equipment and infrastructure is critical to the provision of uninterrupted services to customers. While redundancy is built into many of the critical operational functions and critical spare parts are kept in inventory, not all critical failure points are fully mitigated. Further to this, 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 also result from accidental actions, natural occurrences or intentional acts such as terrorism or sabotage.

An extended outage due to equipment failure could result in lost revenues or additional costs to resume operations, including repair costs. This risk is managed through inherent redundancy, sound maintenance practices and asset inspection plans. 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 an assessment of equipment and by monitoring the condition of assets when possible.

Although all of our operations have historically performed in accordance with expectations, there can be no assurance that they will continue to do so.

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.

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.

Our operations also 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. 2024 was a notable year for EPCOR as the Company recorded one of the best safety results it has ever had with respect to All Injury Frequency Rate (which measures the number of injuries per 1,000,000 employee-hours worked). In spite of a strong overall safety record, the Company did experience a number of safety incidents, including a significant electricity incident that left an employee seriously injured, which highlights the risks that EPCOR's employees are exposed to. 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 2024, all of our material water, wastewater, sanitary and stormwater, and electricity transmission and distribution operations in Edmonton were ISO 45001 registered. In Arizona since 2012, EPCOR won 314 awards (38 in 2024) from the Arizona Water Association for our work across the state. Additionally, in 2024, EPCOR received a Platinum award from the Healthy Arizona Worksites program, which is the highest level of recognition.

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 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. Over the past few years, the Company has and will continue to implement additional controls and precautionary measures to protect against cyber-attacks and to prevent fraud. Financial exposures associated with cyber-attacks are partly mitigated through our insurance programs.

Reputational Damage and Stakeholder Activism

EPCOR's reputation amongst its shareholder, employees, regulators, customers and business partners is a key factor in the Company's continued success. 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. This risk is exacerbated by other factors including customer affordability, sustainability plans, and the economy. A damaged reputation could impair the Company's ability to sell its competitive products and services and to attract and retain employees.

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.

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 labour, technical 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. Given the rapid growth of new technology and the desire to transform digitally, there is risk that the Company does not possess the right employee skillsets to successfully adopt and embrace transformation at the intended pace. The Company is also anticipating an increase in the total number of long-term staff retirements over the next 5 to 10 years, which elevates the need for strong succession planning.

We will continue to monitor developments and review our human resource strategies so that we have an adequate supply of labour and management. We believe that we employ good human resource practices. In 2025, EPCOR was named as one of Alberta's top 85 employers and one of Canada's Top Employers for Young People. The Phoenix Business Journal has named EPCOR as one of the best places to work numerous times.

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, policy changes resulting from political actions, geopolitical actions such as international conflict and trade disputes, shortage of labour or materials, shipping constraints, energy shortage, labour dispute, severe weather or natural disaster, bankruptcy or credit crisis, pandemics 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 or to complete significant capital work 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 pressures initially that have since been exacerbated by various global conflicts, which remain ongoing. However, continued supply shortages could have a greater impact on the

Company going forward.

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 forecasted 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 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.

Strategic Growth and Business Integration

EPCOR plans to continue growing its utility infrastructure business across various investment types and North American geographies. The Company has been accomplishing this growth through expansion of the 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 the Company. 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.

EPCOR's rating agencies require the Company to maintain minimum leverage ratios, and to keep EBITDA generated from non-regulated operations under specific thresholds, to maintain its present A- rating. Exceeding these thresholds could result in a credit rating downgrade. This would result in higher interest costs on new debt borrowings and potentially reduce the availability of sources of capital required to fund existing operations and new investment. EPCOR's current credit agencies, Fitch and DBRS, have affirmed the Company's A- and A(low) credit ratings, respectively, with a stable outlook.

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.

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 are also subject to third party environmental audits to help ensure conformance with the EPCOR HSE management system and compliance with all regulations. Every year since 2018, EPCOR has been recognized as one of the Best 50 Corporate Citizens in Canada in relation to sustainability and environmental protection. At the end of 2024, all regulated electricity distribution and transmission operations were ISO 14001:2015 registered while all Water operations in Edmonton, Regina, Strathmore, Britannia Mine, Canmore and the Evan-Thomas Water and Wastewater Treatment Facility in Kananaskis are also ISO 14001:2015 certified. The facilities we operate for Red Deer County and Chestermere are also aligned with the same ISO standard. Additionally, the White Tanks and Anthem Water Campus in Arizona have achieved Voluntary Protection Program (VPP) status under the US Occupational Safety and Health Administration.

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 have traditionally been limited to amounts due from customers for goods and services provided but not yet paid for. Given the government's implementation of the RoLR regulation discussed above, EPCOR will also have to manage additional credit exposure with counterparties that supply load for RoLR customers.

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. 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.

During the year ended December 31, 2024, revenues from one major customer of the Company's NACS segment represented $1,011 million (2023 - $1,702 million) of the Company's total revenues. Included within trade and other receivables is $73 million due from this customer as at December 31, 2024.

Exposure to credit risk for residential competitive and RoLR customers and commercial utility customers under default electricity supply rates is 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 regulated 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.

(Unaudited, $ millions) **December 31,**		**2024**		**2023**
Regulated and default supply customers	$	98	$	218

The year-over-year decrease in exposure primarily relates to lower commodity prices and lower regulated site counts.

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. 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.

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.

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.

Labour Disruption

Most of the Company's Canadian employees are members of labour unions under a number of collective bargaining agreements. Although EPCOR maintains working relationships with each of the labour unions, the inability to maintain those relationships or renew collective bargaining agreements with terms that are acceptable to the Company could result in labour disputes potentially leading to service interruption or higher labour costs than what is reflected in approved customer rates. Two of EPCOR's largest agreements, CSU52 and IBEW, expired at the end of 2024 and require negotiation, which raises the risk of labour disruption and higher labour costs than what is reflected in approved customer rates.

Enterprise Resource Planning (ERP) Replacement

EPCOR has begun planning work for the replacement of its current ERP system, which is the primary system used for critical processes across the Company including Finance, Human Resources, Learning and Development, and

Supply Chain. ERP replacements come with many risks. These projects require a large amount of planning, significant resourcing (and backfill) requirements, and careful project governance. Achieving benefits related to implementing a new ERP is a challenging endeavor that many companies struggle with. In EPCOR's case, benefits will likely be dependent largely on standardizing processes, consolidating systems, and developing skillsets to be able to leverage the capabilities available in modern ERP systems. Further, there is risk related to the Regulators challenging the timing of replacing the Company's ERP and potentially disallowing costs.

Technological Change

Technological change is a complex emerging risk that could impact EPCOR from a number of perspectives. 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.

Further, 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.

The Company regularly performs research into technology that may impact our business, which may include engagement with industry experts and/or internal subject matter resources assess technology opportunities, risks and potential disruptions.

Artificial Intelligence

The increased use of artificial intelligence (AI) will impact many companies with both risks and opportunities, including potentially EPCOR. EPCOR refers to AI as a common term for the entire spectrum of technologies that enable an Information Technology or Operational Technology systems to perform tasks that normally require human intelligence. With the advent of new technologies such as ChatGPT, increasing processing power, the potential advent of quantum computing, and continually improving machine learning algorithms, workplace roles also have the potential to be impacted, including potential job displacement (or at least transformation), cultural change, and skillset change. Artificial intelligence will impact one of EPCOR's other risks, cyber-attack, as bad actors deploy advanced intrusion techniques while EPCOR must consider improved prevention and detection tools.

Currently, EPCOR has not implemented any significant use of AI in its operations but is reviewing and considering usage in a number of areas including monitoring and optimization of water quality, treatment and management processes, water and electricity supply and demand forecasting, electricity load balancing, and improvement of network efficiency, including predictive maintenance and grid integration and stability. To manage AI opportunities and risk, EPCOR has established an AI Governance Committee, with representatives from operational business units, infrastructure and applications services, including cybersecurity, risk management, legal and privacy areas, and is in the process of establishing an AI Policy and framework to ensure that AI is carefully adopted to manage operational, financial and other risks, including related to cybersecurity and privacy. EPCOR intends to examine AI opportunities on a case-by-case basis both in its physical operations as well as in its planning, financial and other corporate services areas. EPCOR's AI governance framework is under development and is intended to ensure that appropriate stakeholders are consulted to achieve business goals and efficiencies while managing risks associated with AI opportunities.

Significant Decline in the Economy and Other Business Environment

A recession or other deterioration in the business environment could negatively impact the Company, directly and indirectly. A significant decline in the economy could lead to reduced demand for the Company's products and services or increased bad debt expense should we experience a recession in the coming year(s). The likelihood of a recession in 2025 remains an emerging risk for the Company.

In addition to recessionary risk, the following factors could materially and adversely impact EPCOR's business, prospects, financial condition, results of operations or cash flows: US and Canada trade disputes (including potential tariff impacts), further fluctuations in interest rates or inflation; product supply and demand; public health crisis;

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; increasing importance of ethical behavior and perception, sustainability risks, fraud; billing or system errors; loss of IT systems, loss of key facilities, 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.

A number of mitigating strategies are available to the Company including reducing discretionary spending, deferring capital projects, re-establishing Company priorities and rationalizing non-discretionary spending, requiring increased security from commercial utility customers, performing extensive credit reviews and ongoing credit monitoring of significant credit counterparties, etc.

Litigation Update

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

Certification of Annual 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 Annual 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 annual information form, annual consolidated financial statements and annual MD&A, for the year ended December 31, 2024. Based on their knowledge and exercise of reasonable diligence, they have concluded that the annual 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. A number of standards and amendments have been issued by the IASB, and the following changes may have an impact on the Company's future financial statements:

In April 2024, the IASB issued IFRS 18 *Presentation and Disclosure in Financial Statements* which will replace IAS 1 *Presentation of Financial Statements*. The new standard will establish a revised structure for the consolidated statements of comprehensive income and improve comparability across entities and reporting periods. IFRS 18 is effective for annual periods beginning on or after January 1, 2027. The standard will be applied retroactively, with certain transition provisions. The Company is currently evaluating the impact of adopting IFRS 18 on the consolidated 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 judgements 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 judgements 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 $106 million at the end of each month in 2024 (2023 - $173 million). These estimates varied from $62 million to $168 million (2023 - $134 million to $205 million). Adjustments of estimated revenues to actual billings averaged approximately $1 million (2023 - $2 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, and purchase price allocations for business combinations, and for determining values for certain disclosures. Significant judgement 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 2024.

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 entered into fixed price contracts to manage its exposure related to electricity sold to customers. Under these contracts, the market price for electricity purchased by the Company to serve the load of its customers are swapped for a fixed price. The fair value of financial electricity contracts related to electricity sold to customers under the RRT is determined based on exchange index prices in active markets and externally readily observable market data such as forward electricity prices. The fair value of financial electricity contracts entered into during the period related to electricity that will be sold under the RoLR is determined based on quoted prices for similar instruments in active markets and anticipated customer load, which is forecasted based on internal modelling. Accordingly, the financial electricity contracts related to the RoLR are classified as Level 3 financial instruments. The valuation models used to calculate the fair value of the financial electricity contracts are prepared by appropriate internal subject matter experts and reviewed by management. The valuation technique and the associated inputs are assessed on a regular basis for ongoing reasonability.

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 judgement is applied to determine the probability that they will be recovered from future taxable income. For example, in estimating future taxable income, judgement 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 impacted the inputs in those determinations and the resulting values. Future cash flow estimates for assessing the value-in-use of long-lived assets or cash generating units (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 are 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 months and year ended December 31, 2024 and 2023, the Company's transactions in other comprehensive income included the following:

(Unaudited, $ millions)	Three months ended December 31,		Year ended December 31,	
	2024	**2023**	**2024**	**2023**
Re-measurement of net defined benefit plans	$ 3	$ (1)	$ 3	$ (1)
Foreign exchange gain (loss) on U.S. denominated debt designated as a hedge of net investment in foreign operations[1]	(23)	6	(29)	8
Unrealized gain (loss) on derivative financial instruments designated as hedges of net investment in foreign operations[2]	5	9	(2)	13
Reclassification of losses on cash flow hedges	(1)	-	(1)	-
Unrealized gain on derivative financial instruments designated as cash flow hedges[3]	2	-	-	-
Realized gain (loss) on derivative financial instruments designated as cash flow hedges[3]	(4)	-	5	10
Unrealized gain (loss) on foreign currency translation	112	(24)	140	(33)
Other comprehensive income (loss)	**$ 94**	**$ (10)**	**$ 116**	**$ (3)**

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 25) of the consolidated financial statements for the years ended December 31, 2024 and 2023.

3. During the years ended December 31, 2024 and 2023, the Company entered into bond forward and interest rate swap contracts to manage its interest rate risk associated with movement in long-term Government of Canada bond rates and Canadian benchmark interest rates related to future planned long-term debt issuances (the hedged items). 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 bond forward contracts concurrently with the issuance of long-term debentures. The $5 million gain on settlement of the contracts represents the effective portion and was 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 25) of the consolidated financial statements for the years ended December 31, 2024 and 2023.

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, 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 23) of the consolidated financial statements for the years ended December 31, 2024 and 2023.

Quarterly Results

(Unaudited, $ millions)	December 31, 2024	September 30, 2024	June 30, 2024	March 31, 2024
Revenues	$ 796	$ 867	$ 847	$ 885
Expenses	646	673	686	722
Operating income	**150**	**194**	**161**	**163**
Finance expenses	(54)	(52)	(51)	(50)
Income tax expense	(8)	(11)	(6)	(9)
Net income	**$ 88**	**$ 131**	**$ 104**	**$ 104**

(Unaudited, $ millions)	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
Revenues	$ 1,078	$ 1,213	$ 979	$ 1,107
Expenses	921	1,043	820	1,022
Operating income	**157**	**170**	**159**	**85**
Finance expenses	(50)	(46)	(47)	(47)
Income tax recovery (expense)	(12)	(6)	(10)	8
Net income	**$ 95**	**$ 118**	**$ 102**	**$ 46**

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

Fourth Quarter Business Segment Information

(Unaudited, $ millions)

Three months ended December 31, 2024

	Water Services	Distribution & Transmission	Energy Services	North American Commercial Services	U.S. Regulated Water	Other	Intersegment Elimination	Consolidated
External revenues	$213	$ 125	$ 91	$ 248	$ 117	$ 2	$ -	$ 796
Inter-segment revenue	-	1	7	11	-	-	(19)	-
Revenues	213	126	98	259	117	2	(19)	796
Energy purchases and system access fees	-	-	59	14	-	-	-	73
Other raw materials and operating charges	22	4	-	188	24	1	(8)	231
Staff costs and employee benefits expenses	36	17	11	22	17	20	(4)	119
Depreciation and amortization	59	31	2	4	34	8	-	138
Franchise fees and property taxes	13	29	-	1	3	-	-	46
Other administrative expenses	12	4	10	6	8	6	(7)	39
Operating expenses	142	85	82	235	86	35	(19)	646
Operating income (loss) before corporate charges	71	41	16	24	31	(33)	-	150
Corporate income (charges)	(16)	(9)	(6)	(5)	(4)	40	-	-
Operating income	55	32	10	19	27	7	-	150
Finance recoveries (expenses)	(25)	(18)	(1)	(7)	(15)	12	-	(54)
Income tax expense	-	-	-	(3)	(1)	$ (4)	-	(8)
Net income	$ 30	$ 14	$ 9	$ 9	$ 11	$ 15	$ -	$ 88
Capital expenditures	$ 154	$ 83	$ -	$ 18	$ 80	$ 4	$ -	$ 339

(Unaudited, $ millions)

Three months ended December 31, 2023

	Water Services	Distribution & Transmission	Energy Services	North American Commercial Services	U.S. Regulated Water	Other	Intersegment Elimination	Consolidated
External revenues	$ 193	$ 128	$ 147	$ 521	$ 89	$ -	$ -	$ 1,078
Inter-segment revenue	-	-	6	13	-	-	(19)	-
Revenues	193	128	153	534	89	-	(19)	1,078
Energy purchases and system access fees	-	-	116	15	-	-	-	131
Other raw materials and operating charges	21	5	-	473	15	-	(7)	507
Staff costs and employee benefits expenses	33	16	10	17	9	15	(8)	92
Depreciation and amortization	57	28	3	5	14	5	-	112
Franchise fees and property taxes	11	25	-	1	3	-	-	40
Other administrative expenses	10	4	12	3	6	8	(4)	39
Operating expenses	132	78	141	514	47	28	(19)	921
Operating income (loss) before corporate charges	61	50	12	20	42	(28)	-	157
Corporate charges	(14)	(9)	(6)	(4)	(3)	36	-	-
Operating income	47	41	6	16	39	8	-	157
Finance recoveries (expenses)	(25)	(17)	(1)	(1)	(19)	13	-	(50)
Income tax expense	-	-	-	(4)	(6)	$ (2)	-	(12)
Net income	$ 22	$ 24	$ 5	$ 11	$ 14	$ 19	$ -	$ 95
Capital expenditures	$ 155	$ 81	$ -	$ 7	$ 50	$ 8	$ -	$ 301

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 the next year.	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 expenditures for 2025 are estimated to range between $1,000 million and $1,240 million.	EPCOR is able to complete its 2025 capital expenditure program on time and on budget and no material unplanned 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 to $201 million in 2025.	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 PAs with Samsung for Projects Sandow and Blue Sky, respectively. Substantial completion was reached in October 2024 for Project Sandow and construction continues on Project Blue Sky. The operation and maintenance period of 30 years will follow final commissioning and startup. Under the terms of the PAs, the Company committed to fund US$300 million during the projects and the remaining commitment is US$180 million.	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 following table provides a comparison between actual results and future-oriented-financial information previously disclosed:

Material 2024 Objectives Previously Disclosed	Actual Result	Explanation of Material Differences from Objectives
EPCOR's projected cash requirements for capital expenditures for 2024 include $976 million to $1,176 million.	$1,019 million	Within the range
EPCOR's projected cash requirements for 2024 include $193 million for common share dividends.	$193 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.

Additional Information

Additional information relating to EPCOR, including the Company's 2024 Annual Information Form, is available on SEDAR+ at www.sedarplus.ca.