EPCOR UTILITIES INC.

Management's Discussion and Analysis

For nine months ended September 30, 2022

EPCOR Utilities Inc.
Interim Management's Discussion and Analysis
September 30, 2022

This interim management's discussion and analysis (MD&A) dated November 2, 2022, should be read in conjunction with the condensed consolidated interim financial statements of EPCOR Utilities Inc. for the nine months ended September 30, 2022 and 2021, including significant accounting policies (note 3), loans and borrowings (note 5), financial instruments (note 6), financial risk management (note 7) and commitments (note 8), the consolidated financial statements and MD&A for the year ended December 31, 2021, and the cautionary statement regarding forward-looking information at the end of this MD&A. In this MD&A, any reference to "the Company", "the Corporation", "EPCOR", "it", "its", "we", "our" or "us", except where otherwise noted or the context otherwise indicates, means EPCOR Utilities Inc., together with its subsidiaries. Financial information in this MD&A is based on the condensed consolidated interim financial statements, which were prepared in accordance with International Accounting Standard - 34 "*Interim Financial Reporting*" as issued by International Accounting Standards Board (IASB), and is presented in Canadian dollars unless otherwise specified. Terms used throughout this MD&A are defined in the Glossary at the end of this document.

In accordance with its terms of reference, the Audit Committee of the Company's Board of Directors reviews the contents of the MD&A and recommends its approval by the Board of Directors. This MD&A was approved and authorized for issue by the Board of Directors on November 2, 2022.

OVERVIEW

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

Net income was $119 million and $286 million for the three and nine months ended September 30, 2022, compared with net income of $146 million and $287 million for the comparative periods in 2021, respectively. The decrease of $27 million and $1 million for the three and nine months ended September 30, 2022, respectively, was primarily due to the gain realized on expropriation of the Bullhead City (BHC) water utility systems in the third quarter of 2021, lower transmission system access service charge net collections and higher depreciation, partially offset by higher Adjusted EBITDA, as described below, and favorable fair value adjustments related to financial electricity purchase contracts. In addition, for the nine months ended September 30, 2022, there was higher net collection of U.S. natural gas procurement costs.

Adjusted EBITDA is a financial measure, which is not prescribed by International Financial Reporting Standards (IFRS) as issued by IASB, as described in the Adjusted EBITDA and Net Income section on page 3 of this MD&A.

Adjusted EBITDA was $265 million and $707 million for the three and nine months ended September 30, 2022, compared with $227 million and $640 million for the comparative periods in 2021, respectively. The increase of $38 million and $67 million for the three and nine months ended September 30, 2022, respectively, was primarily due to higher rates and customer growth, higher construction margins due to a new project in central Texas and lower staff costs, partially offset by lower Adjusted EBITDA from the expropriation of BHC in 2021, higher provision for expected credit losses from customers and higher purchased water costs to support growth in the US. For the nine months ended September 30, 2022, there were higher Energy Price Setting Plan (EPSP) margins.

SIGNIFICANT EVENTS

Novel Coronavirus (COVID-19)

Throughout COVID-19 the Company continued providing undisrupted safe and reliable services to all its customers and has not experienced any significant impact on its operations. During the nine months ended September 30, 2022, COVID-19 did not result in any material impact on the financial results of the Company.

SIGNIFICANT ACCOUNTING POLICY CHANGES

The condensed consolidated interim financial statements for the nine months ended September 30, 2022 and 2021 have been prepared following the same accounting policies and methods as those used in preparing the Company's most recent annual consolidated financial statements. The Company has adopted amendments to various accounting standards effective January 1, 2022, which did not have a significant impact on the Company's financial statements.

CONSOLIDATED RESULTS OF OPERATIONS

Revenues

(Unaudited, $ millions)	Three months ended September 30,		Nine months ended September 30,	
	2022	**2021**	**2022**	**2021**
Water Services segment	$ 209	$ 194	$ 568	$ 551
Distribution and Transmission segment	111	137	362	366
Energy Services segment	204	160	544	424
U.S. Operations segment	341	85	502	230
Other	26	26	76	87
Intersegment eliminations	(9)	(7)	(24)	(22)
Revenues	**$ 882**	**$ 595**	**$ 2,028**	**$ 1,636**

Consolidated revenues were higher by $287 million and $392 million for the three and nine months ended September 30, 2022, respectively, compared with the corresponding periods in 2021 primarily due to the net impact of the following:

- Water Services segment revenues increased by $15 million and $17 million for the three and nine months ended September 30, 2022, respectively, compared with the corresponding periods in 2021 primarily due to higher rates and customer growth, partially offset by lower construction and commercial revenues from certain construction, operating and maintenance contracts, a change in customer mix as well as lower water consumption as a result of more precipitation in 2022.
- Distribution and Transmission segment revenues decreased by $26 million and $4 million for the three and nine months ended September 30, 2022, respectively, compared with the corresponding periods in 2021 primarily due to lower transmission system access service charge net collections and lower commercial services revenues related to lighting, traffic signals and light rail transit (LRT) electrical services for The City of Edmonton (the City), partially offset by higher electricity distribution and transmission rates and volumes.
- Energy Services segment revenues increased by $44 million and $120 million for the three and nine months ended September 30, 2022, respectively, compared with the corresponding periods in 2021 primarily due to higher electricity prices, partially offset by lower electricity volumes due to lower customer sites. In addition,

certain customer contracts have moved from variable price plans to fixed price plans resulting in the presentation of revenues net of related expenses compared with gross revenues in 2021. In addition, for the nine months ended September 30, 2022, there were higher other revenues due to recovery of utility payment deferral program (UPDP) amounts.

- U.S. Operations segment revenues increased by $256 million and $272 million for the three and nine months ended September 30, 2022, respectively, compared with the corresponding periods in 2021 primarily due to higher construction revenues for a new groundwater supply system and an industrial water reclamation facility in central Texas, customer growth, higher water rates in Arizona, higher natural gas sales in Texas due to lower temperatures, and higher commercial revenues, partially offset by lower water revenues due to expropriation of the BHC water utility systems in September 2021. In addition, for the nine months ended September 30, 2022, there were higher water and wastewater revenues from the San Tan operations acquired on January 29, 2021.
- Other revenues decreased by $11 million for the nine months ended September 30, 2022, compared with the corresponding period in 2021 primarily due to lower construction revenues related to the electricity sub-station infrastructure for the Trans Mountain pipeline expansion project, partially offset by higher construction revenues related to the Darlington water treatment plant project, higher lease financing income related to the Trans Mountain pipeline expansion project and higher natural gas revenues in Ontario primarily due to higher rates and volumes.

Adjusted EBITDA and Net Income

We use earnings before finance expenses, income tax recovery (expense), depreciation and amortization, changes in the fair value of derivative financial instruments, transmission system access service charge net collections, net collections of U.S. natural gas procurement costs and other unusual items (collectively, Adjusted EBITDA) to discuss operating results for the Company's lines of business.

Change in fair value of derivative financial instruments represents the change in fair value of financial electricity purchase contracts between the electricity market forward prices and the contracted prices at the end of the reporting period, for the contracted volumes of electricity. Transmission system access service charge net collections is the difference between the transmission system access service charges paid to the provincial system operators and the transmission system access service charges collected from electricity retailers. Transmission system access service charge net collections are timing differences, which are collected from or returned to electricity retailers as the transmission system access service charges and customer billing determinants are finalized. Net collections of U.S. natural gas procurement costs represents the difference between collection of flow through natural gas procurement costs from customers and natural gas procurement costs paid to suppliers or producers. Net collections of U.S. natural gas procurement costs are timing differences, which are collected from or returned to customers on finalization of the regulatory process.

We believe that Adjusted EBITDA provides an indicator of the Company's ongoing ability to fund capital expenditures, to incur and service debt and to pay dividends to its shareholder, and may be useful for external stakeholders in evaluating the operations and performance of the Company. Adjusted EBITDA is a non-IFRS financial measure, which does not have any standardized meaning prescribed by IFRS and is unlikely to be comparable to similar measures published by other entities.

(Unaudited, $ millions)	Three months ended September 30, 2022	2021	Nine months ended September 30, 2022	2021
Adjusted EBITDA by Segment				
Water Services segment	$ 122	$ 98	$ 308	$ 289
Distribution and Transmission segment	68	63	190	185
Energy Services segment	7	8	42	20
U.S. Operations segment	57	45	137	117
Other	11	13	30	29
Adjusted EBITDA	**265**	**227**	**707**	**640**
Finance expenses	(40)	(39)	(114)	(113)
Income tax expense	(14)	(20)	(23)	(24)
Depreciation and amortization	(102)	(95)	(293)	(277)
Change in fair value of financial electricity purchase contracts	27	(4)	18	10
Transmission system access service charge net collections	(17)	8	(9)	(4)
Net collections of U.S. natural gas procurement costs	-	-	-	(14)
Gain on expropriation of the BHC water utility systems	-	69	-	69
Net income	**$ 119**	**$ 146**	**$ 286**	**$ 287**

Changes in each business segment's Adjusted EBITDA, for the three and nine months ended September 30, 2022, compared with the corresponding periods in 2021, are described in Segment Results below. Explanations of the remaining significant variances in net income for the three and nine months ended September 30, 2022, compared with the corresponding periods in 2021, are as follows:

- Lower income tax expense of $6 million and $1 million for the three and nine months ended September 30, 2022 was primarily due to the income tax expense related to the gain on expropriation of the BHC water utility systems in the third quarter of 2021, partially offset by higher taxes due to increased net income in the Energy Services segment in 2022.
- Higher depreciation and amortization of $7 million and $16 million for the three and nine months ended September 30, 2022, respectively, was primarily due to depreciation expense on 2021 asset additions and accelerated depreciation and amortization in 2022 due to early asset retirements as well as a reduction in the useful life of assets as a result of a depreciation study.
- Favorable changes in the fair value of financial electricity purchase contracts of $31 million for the three months ended September 30, 2022, were primarily due to market forward prices being higher than contracted prices in 2022, compared to contracted prices being higher than the market forward prices in 2021.
- Favorable changes in the fair value of financial electricity purchase contracts of $8 million for the nine months ended September 30, 2021 were primarily due to a higher favorable difference between electricity market forward prices and contracted electricity prices in 2022, compared to 2021.
- Lower transmission system access service charge net collections of $25 million and $5 million for the three and nine months ended September 30, 2022, respectively, were primarily due to higher payments to the Alberta Electric System Operator (AESO) for system access, as well as higher payments to Independent Electricity System Operator in Ontario, partially offset by higher collections from customers in both provinces.

- No net collection variance of U.S. natural gas procurement costs for the nine months ended September 30, 2022, compared to $14 million lower net collection of U.S. natural gas procurement costs due to higher natural gas procurement costs caused by the winter storm "Uri" in February 2021, which were approved for recovery in the fourth quarter of 2021.
- No gain on expropriation for the nine months ended September 30, 2022, compared to gain on expropriation of the BHC water utility systems of $69 million (US$54 million) recognized on the preliminary proceeds of $101 million (US$80 million) during the third quarter of 2021.

SEGMENT RESULTS

Water Services

Water Services is primarily involved in the treatment, transmission, distribution and sale of water, the collection and conveyance of sanitary and stormwater, and the treatment of wastewater within Edmonton and other communities in Western Canada. This segment's water and wastewater business also includes the provision of design, build, finance, operating and maintenance services for municipal and industrial customers in Western Canada.

(Unaudited, $ millions, including intersegment transactions)	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Revenues	$ 209	$ 194	$ 568	$ 551
Expenses	132	139	387	386
Operating income	**77**	**55**	**181**	**165**
Exclude depreciation and amortization	45	43	127	124
Adjusted EBITDA	**$ 122**	**$ 98**	**$ 308**	**$ 289**

Water Services' Adjusted EBITDA increased by $24 million and $19 million for the three and nine months ended September 30, 2022, compared with the corresponding periods in 2021, primarily due to higher rates and customer growth and lower staff costs, partially offset by lower commercial margins from certain operating and maintenance contracts, a change in customer mix, lower water consumption due to more precipitation in 2022, and higher water treatment costs for operations in the city of Edmonton due to poor water quality of the North Saskatchewan River caused by spring runoff and higher precipitation. In addition, for the nine months ended September 30, 2022, there were higher contractor costs primarily related to maintenance of sanitary and stormwater infrastructure.

Distribution and Transmission

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

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

Transmission's current rates are in effect until the end of 2022 and EPCOR filed its Facility Owner Tariff Application for 2023 to 2025 rates on September 29, 2022. EPCOR expects that a decision on this application will be received by the second quarter of 2023 and will file for approval of interim rates in the fourth quarter of 2022 until the final decision rates can be implemented.

In January 2022, EPCOR received notification from the AUC on their planned approach to the 2023 Generic Cost of Capital (GCOC) and future years. The AUC requested all interested parties to submit comments by February 2022 on whether the 2022 GCOC rates should be maintained throughout 2023 (37% equity and 8.5% return on equity (ROE)). On March 31, 2022, the AUC issued its decision to extend the 2022 cost of capital parameters to 2023. The AUC also notified interested parties that it would like to consider a formula-based approach to the GCOC for the year 2024 and beyond. The AUC is of the view that a formula-based approach to ROE could increase transparency and predictability, and ultimately save customers and utilities considerable time, resources and money associated with having fully litigated proceedings every one to three years. On June 29, 2022, the AUC initiated Stage 2 of this proceeding to determine the GCOC parameters for 2024 and future test years. EPCOR expects a decision on Stage 2 of the proceeding to be issued in second quarter of 2023.

(Unaudited, $ millions, including intersegment transactions)	**Three months ended September 30,**		**Nine months ended September 30,**	
	2022	**2021**	**2022**	**2021**
Revenues	$ 111	$ 137	$ 362	$ 366
Expenses	89	93	266	262
Operating income	**22**	**44**	**96**	**104**
Exclude depreciation and amortization	30	27	86	76
Exclude transmission system access service charge net collections	16	(8)	8	5
Adjusted EBITDA	**$ 68**	**$ 63**	**$ 190**	**$ 185**

Distribution and Transmission's Adjusted EBITDA increased by $5 million for the three and nine months ended September 30, 2022, respectively, compared with the corresponding periods in 2021, primarily due to higher electricity distribution and transmission rates and lower staff costs, offset by higher property taxes, lower commercial services margins and higher operating costs.

Energy Services

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

The 2021-2022 RRO Non-Energy rate application (including the recovery of lost revenues and bad debts related to the UPDP) was filed in August 2021 and the Company refiled the application for the final rates on April 12, 2022. Rates for the majority of the year ended December 31, 2021 were based on the prior 2018-2020 Non-Energy decision. The AUC approved the 2021 and 2022 Non-Energy interim rates effective December 1, 2021, and on May 17, 2022 the final decision on the 2021-2022 application was received with all final rate true-ups occurring between August to November of 2022. The 2023-2025 Non-Energy rate application is expected to be filed by the end of 2022.

In the first quarter of 2021, an application was filed with the AUC for the 2021-2024 EPSP and a final decision on the plan was received from AUC on October 27, 2021, wherein the AUC approved the EPSP as filed. The 2021-2024 EPSP became effective in May 2022.

(Unaudited, $ millions, including intersegment transactions)	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Revenues	$ 204	$ 160	$ 544	$ 424
Expenses	172	158	490	400
Operating income	**32**	**2**	**54**	**24**
Exclude depreciation and amortization	2	2	6	6
Exclude change in fair value of financial electricity purchase contracts	(27)	4	(18)	(10)
Adjusted EBITDA	**$ 7**	**$ 8**	**$ 42**	**$ 20**

Energy Services' Adjusted EBITDA decreased by $1 million for the three months ended September 30, 2022, compared with the corresponding period in 2021, primarily due to lower EPSP margins and a higher provision for expected credit losses from customers as a result of higher commodity prices, partially offset by lower staff costs.

Energy Services' Adjusted EBITDA increased by $22 million for the nine months ended September 30, 2022, compared with the corresponding period in 2021, primarily due to higher EPSP margins, higher other revenues due to UPDP recoveries and lower staff costs, partially offset by a higher provision for expected credit losses from customers as a result of higher commodity prices.

U.S. Operations

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

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

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

(Unaudited, $ millions, including intersegment transactions)	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Revenues	$ 341	$ 85	$ 502	$ 230
Expenses	301	56	414	175
Operating income	**40**	**29**	**88**	**55**
Exclude depreciation and amortization	17	16	49	48
Exclude net collections of U.S. natural gas procurement costs	-	-	-	14
Adjusted EBITDA	**$ 57**	**$ 45**	**$ 137**	**$ 117**

U.S. Operations' Adjusted EBITDA increased by $12 million and $20 million for the three and nine months ended September 30, 2022, respectively, compared with the corresponding periods in 2021, primarily due to higher construction margins on a new groundwater supply system and an industrial water reclamation facility project in central Texas, customer growth and higher rates in Arizona, partially offset by lower Adjusted EBITDA due to expropriation of the BHC water utility systems in September 2021, higher operating and staff costs in 2022 and higher purchased water costs to support growth. In addition, for the nine months ended September 30, 2022, there was higher Adjusted EBITDA from the San Tan operations acquired January 29, 2021 and lower administrative expenses.

Capital Spending and investment

(Unaudited, $ millions) **Nine months ended September 30,**		**2022**		**2021**
Water Services segment	$	314	$	308
Distribution and Transmission segment		182		172
Energy Services segment		1		1
U.S. Operations segment		104		89
Other		30		33
Total capital spending		631		603
San Tan operations acquisition (net of acquired cash)		-		127
Total capital spending and investment	**$**	**631**	**$**	**730**

Total capital spending and investment decreased by $99 million for the nine months ended September 30, 2022, compared with the corresponding period in 2021, primarily due to the acquisition of San Tan operations in 2021 with no corresponding acquisition in 2022, lower capital spending in Other, partially offset by higher capital spending in the Company's Water Services, Distribution and Transmission, and U.S. Operations segments. The details of major capital projects are as follows:

Growth Projects

- Higher Water Services segment spending on network private development transmission mains due to new subdivision infrastructure completed by developers in 2022.
- Higher U.S. Operations segment spending on extension and construction of wastewater treatment facilities in Arizona.
- Higher Distribution and Transmission segment spending on developer rebates, customer connections and reconfigurations to support load growth.

Sustaining and Lifecycle Projects

- Higher Water Services segment spending on construction of the new operations service centre and on sewer relocations due to the West Valley Line LRT in 2022.
- Higher Water Services segment spending on lead mitigation at the water treatment plants and replacement of air quality systems at Gold Bar.
- Lower Water Services segment spending on sanitary pipe and chamber rehabilitation projects and Stormwater Integrated Resource Planning projects, which were substantially complete in 2021.
- Lower Water Services segment spending due to lower spend on water main replacements.

Business Development Projects

- Higher Water Services segment spending on the battery storage system as part of the kīsikāw pīsim solar farm located near the E.L. Smith Water Treatment Plant (E.L. Smith WTP).

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION – ASSETS

(Unaudited, $ millions)	September 30, 2022	December 31, 2021	Increase (decrease)	Explanation of material changes
Cash	$ 39	$ 30	$ 9	Refer to Consolidated Statements of Cash Flows section.
Trade and other receivables	588	573	15	Increase in receivables due to higher water volumes and higher prepaid expenses, partially offset by receipt of settlement proceeds related to expropriation of the BHC water utility systems in 2021 and reduction in receivables for natural gas due to lower volumes.
Inventories	21	18	3	
Other financial assets (including current portion)	526	252	274	Increase primarily due to higher long term receivables relating to the construction project in central Texas, higher lease receivables for the water treatment plant at Darlington and the Trans Mountain pipeline expansion project, an increase due to the fair value adjustment on an interest rate swap derivative asset, and foreign currency valuation adjustments.
Deferred tax assets	81	91	(10)	Decrease is primarily due to utilization of deferred tax assets against taxable income.
Property, plant and equipment	12,263	11,725	538	Increase primarily due to capital expenditures and foreign currency valuation adjustments, partially offset by depreciation expense and disposal of assets.
Intangible assets and goodwill	568	558	10	Increase primarily due to foreign currency valuation adjustments and capital expenditures, partially offset by amortization expense.
Total Assets	$ 14,086	$ 13,247	$ 839	

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION – LIABILITIES AND EQUITY

(Unaudited, $ millions)	September 30, 2022	December 31, 2021	Increase (decrease)	Explanation of material changes
Trade and other payables	$ 706	$ 506	$ 200	Increase is primarily due to higher capital accruals and construction payables, higher payables related to electricity purchases including rebates payable resulting from the Alberta Government initiated Electricity Rebate program and higher accrued interest on long term debt partially offset by lower payables for natural gas purchases.
Loans and borrowings (including current portion)	4,305	4,029	276	Increase primarily due to issuance of long-term debt in 2022, net issuance of short-term debt and foreign currency valuation adjustments on U.S. dollar denominated debt, partially offset by principal repayments of long-term debt.
Deferred revenue (including current portion)	4,308	4,187	121	Increase primarily due to cash and developer contributions received and foreign currency valuation adjustments, partially offset by deferred revenue recognized.
Provisions (including current portion)	211	221	(10)	Decrease is primarily due to lower employee benefit accruals and refunds of construction advances, partially offset by foreign currency valuation adjustments.
Other liabilities (including current portion)	211	223	(12)	Decrease primarily due to a decrease in customer deposits, payment of the Drainage transition cost compensation, payments for lease liabilities, partially offset by the change in fair value of cross currency interest rate swaps and foreign currency valuation adjustments.
Deferred tax liabilities	84	74	10	Increase is primarily due to foreign currency valuation adjustments as well as timing differences for U.S. Operations.
Equity	4,261	4,007	254	
Total Liabilities and Equity	$ 14,086	$ 13,247	$ 839	

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited, $ millions)
Cash inflows (outflows)

Three months ended September 30,	2022	2021	Increase (decrease)	Explanation
Operating	$ 298	$ 183	$ 115	Higher net cash flows from operations due to the change in non-cash operating working capital, and higher operating income.
Investing	(358)	(128)	(230)	Higher outflows primarily due to higher net advances on other financial assets, settlement proceeds in 2021 from the expropriation of the BHC water utility systems partially offset by the change in non-cash investing working capital and lower capital expenditures.
Financing	43	(151)	194	Higher inflows primarily due to proceeds from issuance of long-term debt in 2022 partially offset by higher repayments of long term debt in 2022 compared to 2021 and higher net repayment of short term debt in 2022 compared to 2021.
Opening cash	56	165	(109)	
Closing cash	$ 39	$ 69	$ (30)	

(Unaudited, $ millions)
Cash inflows (outflows)

Nine months ended September 30,	2022	2021	Increase (decrease)	Explanation
Operating	$ 655	$ 516	$ 139	Higher net cash flows from operations due to higher operating income and the change in non-cash operating working capital.
Investing	(762)	(636)	(126)	Higher outflows primarily due to higher net advances on other financial assets, higher proceeds in 2021 related to expropriation of the BHC water utility systems, partially offset by the acquisition of San Tan operations in 2021, and higher inflow of funds related to the change in non-cash investing working capital.
Financing	116	181	(65)	Lower inflows primarily due to higher repayment of long term debt in 2022 compared to 2021, partially offset by higher proceeds from issuance of long-term debt in 2022 compared to 2021 and lower net repayments of short term debt in 2022 compared to 2021.
Opening cash	30	8	22	
Closing cash	$ 39	$ 69	$ (30)	

Operating Activities and Liquidity

The Company maintains its financial position through rate-regulated utility and contracted operations, which generate stable cash flows.

The Company expects to have sufficient liquidity to finance its plans and fund its obligations, including current liabilities in excess of current assets, for the next twelve months, with a combination of available cash, funds from operations, issuance of commercial paper, public or private debt offerings and availability of liquidity from committed credit facilities described under the Financing section below. Cash flows from operating activities would be impaired by events that cause severe damage to our facilities and would require unplanned cash outlays for system restoration repairs. Under those circumstances, more reliance would be placed on our credit facilities for working capital requirements until a regulatory approved recovery mechanism or insurance proceeds are put in place.

Capital Requirements and Contractual Obligations

The Company has entered into a commitment related to new Preliminary Services Agreements (PSAs) signed in U.S. Operations, as described in the Outlook section of this MD&A. The Company's dividend has been increased by 4.5% from $177 million in 2022 to $185 million in 2023. There were no other material changes to the Company's capital requirements or purchase obligations, including payments for the next five years and thereafter, from those previously disclosed in the 2021 annual MD&A.

Financing

Generally, our external financing is raised at the corporate level and invested in the operating business units. Our external financing has consisted of commercial paper issuance, bank loans under credit facilities, debentures payable to the City related to utility assets transferred from the City, debentures payable to the other municipalities, publicly issued medium-term notes and U.S. private debt notes.

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

($ millions) **September 30, 2022**	**Expiry**	**Total facilities**	**Banking Commercial paper issued**	**Letters of credit issued and other facility draws**	**Net amounts available**
Committed					
Syndicated bank credit facility[1]	November 2026	$ 600			
Bank credit facility[1]	November 2025	200			
Bank credit facility[1]	May 2026	150			
Total committed		$ 950	$ 114	$ -	$ 836
Uncommitted					
Bank credit facilities[2]	No expiry	240	-	163	77
Bank credit facility	No expiry	25	-	-	25
Total uncommitted		265	-	163	102
Total credit facilities		**$ 1,215**	**$ 114**	**$ 163**	**$ 938**

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

1 The Company has added a new committed bank credit facility totaling $150 million during the nine months ended September 30, 2022. The committed bank credit facility is valid for a period of four years. The Company's $600 million committed syndicated bank credit facility and $350 million 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 facilities gives the Company the option each year to re-price and extend the terms 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 September 30, 2022, commercial paper totaling $114 million was issued and outstanding (December 31, 2021 - $256 million).

2 The Company increased the existing uncommitted bank credit facilities by $40 million during the nine months ended September 30, 2022. The Company's uncommitted bank credit facilities consists of six bilateral credit facilities (totaling $240 million) which are restricted to letters of credit. At September 30, 2022, letters of credit totaling $163 million have been issued and outstanding (December 31, 2021 - $134 million) to meet the credit requirements of electricity market participants and to meet conditions of certain service agreements.

The Company has a Canadian base shelf prospectus under which it may raise up to $2 billion of debt with maturities of not less than one year. At September 30, 2022, the available amount remaining under this base shelf prospectus was $1.55 billion (December 31, 2021 - $2 billion). The Canadian base shelf prospectus expires in January 2024.

On April 12, 2022, the Company issued $63 million (US$50 million) 30-year private debt note with a coupon rate of 3.13%, and an effective interest rate of 3.18%. The interest on the note is payable semi-annually and the principal is due at maturity.

On September 2, 2022, the Company issued 30-year unsecured public debentures totaling $450 million with a coupon rate of 4.73% and an effective interest rate of 4.82%. The interest is payable semi-annually and the principal is due at maturity.

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

In September 2022, S&P Global Ratings confirmed its A- / stable long-term corporate credit and senior unsecured debt ratings for EPCOR. In October 2022, DBRS Morningstar confirmed its A (low) / stable senior unsecured debt and R-1 (low) / stable short-term debt.

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

Financial Covenants

EPCOR is currently in compliance with all of its financial covenants in relation to its committed bank credit facilities, Canadian public medium-term notes and U.S. private debt notes. Based on current financial covenant calculations, the Company has sufficient borrowing capacity to fund current and long-term requirements. Although the risk is low, breaching these covenants could potentially result in a revocation of EPCOR's credit facilities causing a significant loss of access to liquidity or resulting in the Company's publicly issued medium-term notes and private debt notes becoming immediately due and payable causing the Company to find a means of funding which could include the sale of assets.

RISK FACTORS AND RISK MANAGEMENT

This section should be read in conjunction with the Risk Factors and Risk Management section of the 2021 annual MD&A. Risk management is a key component of the Company's culture and we have cost-effective risk management practices in place. Risk management is an ongoing process and we continually review our risks and look for ways to enhance our risk management processes. As part of ongoing risk management practices, the Company reviews current and developing events and proposed transactions to consider their impact on the risk profile of the Company.

Currently, EPCOR's principal risks, in order of severity from most to least serious include government and regulatory, weather and climate-change, health and safety, new business integration, public health crisis, cybersecurity, reputational damage and stakeholder activism, actual performance compared to approved revenue requirement, failure to attract, retain or develop top talent, deterioration of sanitary trunk line infrastructure, business interruption, electricity price and volume, project delivery, supply chain, environmental, credit, financial liquidity, foreign exchange, conflicts of interest, labor disruption, technological change, groundwater contamination, significant decline in the Alberta Economy and general economic conditions, business environment and other risks.

During the nine months ended September 30, 2022, the Company entered into an interest rate swap and bond forward contracts to manage its interest rate risk associated with movements in long-term Government of Canada bond rates related to planned long-term debenture issuances. These financial instruments were classified as cash flow hedges. The Company settled the bond forward contracts concurrently with the issuance of long-term debentures. For further information on the Company's interest rate swap contract and bond forward contracts, refer to financial risk management (note 7) in the condensed consolidated interim financial statements for the periods ended September 30, 2022 and 2021.

In December 2016, the Government of Alberta enacted Bill 21: the Modernized Municipal Government Act (MGA), which could restrict the ability of a municipally controlled corporation (MCC) to conduct its business. EPCOR, which is an MCC of the City, was previously exempt from the MGA and a similar exemption is not present in the new MGA. On July 1, 2018, however, the Government of Alberta declared the Municipally Controlled Corporations Regulation (MCC Regulation) into force, exempting EPCOR from the provisions of the MGA. For purposes of ensuring that the MCC Regulation is reviewed for ongoing relevancy and necessity, it expires periodically with the option that it may be repassed and extended in its present or an amended form following a review. The MCC Regulation expired on June 30, 2021 and was extended in its present form to June 30, 2023. On October 3, 2022 the Minister of Municipal Affairs approved Order MDS:076/22 that extended the expiry of the MCC Regulation to June 30, 2028.

LITIGATION UPDATE

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

FUTURE ACCOUNTING STANDARD CHANGES

A number of new standards, amendments to standards and interpretations of standards have been issued by the IASB and the International Financial Reporting Interpretations Committee, the application of which is effective for periods beginning on or after January 1, 2023. The Company does not expect the implementation of these new accounting pronouncements to have a significant impact on its accounting policies.

CRITICAL ACCOUNTING ESTIMATES

In preparing the condensed consolidated interim financial statements, management necessarily made estimates in determining transaction amounts and financial statement balances. The following are the items for which significant estimates were made in the condensed consolidated interim financial statements: electricity revenues, costs and unbilled consumption, fair values and income taxes. Although the current condition of the economy has not impacted our methods of estimating accounting values, it has impacted the inputs in those determinations and the resulting values. Interim results will fluctuate due to the seasonal demands for energy, water, related impact on sanitary system, changes in energy prices, and the timing and recognition of regulatory decisions. Consequently, interim results are not necessarily indicative of annual results.

For further information on the Company's other critical accounting estimates, refer to the consolidated financial statements and MD&A for the year ended December 31, 2021.

OUTLOOK

For the remainder of 2022, EPCOR will focus on the expansion and construction of wastewater treatment plants, completion of early works and pursuit of definitive project agreements for a groundwater supply system and an industrial water reclamation facility in central Texas as well as a municipal wastewater treatment facility in Oregon, the natural gas pipeline construction in the Southern Bruce region of Ontario, the construction of a water treatment plant at Darlington and will continue to target growth in rate-regulated and contracted water, wastewater, electricity and natural gas infrastructure. We expect much of this investment to come from new infrastructure, acquisition of new customers, and lifecycle replacement of existing infrastructure primarily related to the Edmonton and U.S. based operations. The Company also intends to expand its water and electricity commercial services activities and to invest in renewable energy generation, including solar and biogas facilities, which will help reduce greenhouse gas emissions.

EPCOR was previously awarded franchises by two municipalities and one township in the Southern Bruce region of Ontario near Kincardine to use municipal rights-of-way to build, own and operate a natural gas distribution system. EPCOR received all requisite approvals and started construction of the gas distribution system in July 2019, through a design build contractor. EPCOR's Southern Bruce natural gas distribution system started connections to industrial, agricultural and residential customers in the second half of 2020. At September 30, 2022, 284 km out of total 296 km length of the pipeline has been installed. The remaining portion of the system is expected to be substantially complete by the end of 2022.

On June 9, 2021, the Province of Ontario announced that EPCOR was selected for $20 million in funding from the Ontario Natural Gas Expansion Program for a proposed project to extend natural gas service to customers in the Municipality of Brockton. The Company is in the process of applying for approvals for this project.

The kīsikāw pīsim solar farm, with a rated generation capacity of 13.6 megawatts and a four megawatt battery energy storage system, will generate "green" energy to help power the E.L. Smith WTP. EPCOR fully energized the system in September 2022.

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

During the nine months ended September 30, 2022, the Company has signed two PSAs with Samsung Austin Semiconductor LLC, 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 and an industrial water reclamation facility to support Samsung's new semiconductor fabrication facility in Taylor, Texas. As at September 30, 2022, the Company has recorded $242 million (US $185 million) as construction revenues and other financial assets, which includes a margin on construction expenditures. The construction expenditures, totaling $235 million ($180 million) have been recorded in other raw materials and operating charges. The remaining value of the PSAs are estimated to be $178 million (US$130 million). The Company has retained third party consultants and sub-contractors that are carrying out the initial work including the procurement of the long-lead equipment. On completion of the early works, the parties will either enter into definitive agreements to proceed with the construction of a groundwater supply system and an industrial water reclamation facility or the costs incurred under the PSAs will become recoverable by the Company.

QUARTERLY RESULTS

($ millions)	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021
Revenues	$ 882	$ 555	$ 591	$ 590
Expenses	709	420	476	466
Operating income	**173**	**135**	**115**	**124**
Other income	-	-	-	7
Finance expenses	(40)	(37)	(37)	(35)
Gain on expropriation of BHC water utility systems	-	-	-	20
Income tax expense	(14)	(5)	(4)	(15)
Net income[1, 2, 3]	**$ 119**	**$ 93**	**$ 74**	**$ 101**

($ millions)		September 30, 2021		June 30, 2021		March 31, 2021		December 31, 2020
Revenues	$	595	$	522	$	519	$	512
Expenses		459		393		429		408
Operating income		**136**		**129**		**90**		**104**
Other income		-		-		-		-
Finance expenses		(39)		(38)		(36)		(35)
Gain on expropriation of BHC water utility systems		69		-		-		-
Income tax recovery (expense)		(20)		(5)		1		(5)
Net income[1, 2 ,3]	**$**	**146**	**$**	**86**	**$**	**55**	**$**	**64**

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

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

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

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.

There have been no changes in the material forward-looking information previously disclosed in the 2021 annual MD&A, including related material factors or assumptions and risk factors. Material forward-looking information within this MD&A, including related material factors or assumptions and risk factors, are noted in the table below:

Forward-looking Information	Material Factors or Assumptions	Risk Factors
The Company expects to have sufficient liquidity to finance its plans and fund its obligations, including current liabilities in excess of current assets, for next twelve months.	EPCOR is able to generate the expected cash flow from operations and various means of funding remain available to the Company.	EPCOR’s operations do not generate the expected level of cash flow and / or circumstances arise, limiting or restricting the Company’s ability to access funds through the various means otherwise available.

Forward-looking Information	Material Factors or Assumptions	Risk Factors
As at September 30, 2022, the company has recorded $242 million (US$185 million) as construction revenues and other financial assets, which includes a margin on construction expenditures. Construction expenditures, totaling $235 million (USD $180 million), have been recorded in other raw materials and operating charges. The remaining value of the PSAs are estimated to be $178 million (US$130 million). On completion of the early works, the parties will either enter into definitive agreements to proceed with the construction of a groundwater supply system and an industrial water reclamation facility, or the cost incurred under the PSAs will become recoverable by the Company.	The Company is able to complete the early design work, site investigation and procurement of long lead items satisfactorily and the customer agrees to the costs estimates and timelines for next phase and awards the construction of a groundwater supply system and an industrial water reclamation facility to EPCOR.	The Company is unable to complete the early design work, site investigation and procurement of long lead items within time and within reasonable costs and the customer is not satisfied with the costs estimates and timelines for next phase and does not award the construction of a groundwater supply system and an industrial water reclamation facility to EPCOR.
The Company's dividend has been increased by 4.5% from $177 million in 2022 to $185 million in 2023.	EPCOR is able to generate the expected cash flow from operations and various means of funding remain available to the Company. There is no further revision to the dividends to be paid to the City	EPCOR is not able to generate the expected cash flow from operations and various means of funding are not available to the Company. There is a revision to the dividends to be paid to the City

Previously Disclosed 2022 Forward-looking Information	Material Factors or Assumptions	Explanation of Differences From Previously Disclosed Information
If the Company enters into these definitive agreements, there may be a negative impact to its credit rating outlook or credit ratings.	The Company's credit ratings are not impacted.	Based on the Company's current expectations regarding definitive agreement terms, the Company does not expect a change to its credit rating outlook or credit ratings.

For further information on the Company's forward looking information, refer to the 2021 annual MD&A.

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

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

GLOSSARY

Adjusted EBITDA means earnings before finance expenses, income tax recovery (expense), depreciation and amortization, changes in the fair value of derivative financial instruments, transmission system access service charge net collections, net collections of U.S. natural gas procurement costs and other unusual items	**IFRS** means International Financial Reporting Standard(s)
AESO means Alberta Electric System Operator	**IRA** means Inflation Reduction Act
AUC means the Alberta Utilities Commission	**LRT** means light rail transit
BHC means Bullhead City	**PSA** means preliminary services agreement
COVID-19 means novel coronavirus	**MCC** means Municipally Controlled Corporation
Darlington means Darlington Nuclear Generating station	**MCC Regulations** means Municipally Controlled Corporations Regulation
Drainage means drainage utility services within the city of Edmonton	**MGA** means *Bill 21: the Modernized Municipal Government Act*
E.L. Smith WTP means E.L. Smith Water Treatment Plant	**ROE** means return on equity
EPSP means Energy Price Setting Plan	**RRO** means Regulated Rate Option
ERVCCS means Edmonton River Valley Conservation Coalition Society	**San Tan Operations** mean water treatment and distribution and wastewater collection and treatment assets acquired from Johnson Utilities
GCOC means Generic Cost of Capital	**the City** means The City of Edmonton
IASB means International Accounting Standards Board	**UPDP** means utility payment deferral program

ADDITIONAL INFORMATION

Additional information relating to EPCOR including the Company's 2021 Annual Information Form is available on SEDAR at www.sedar.com.