EPCOR UTILITIES INC.

Management's Discussion and Analysis

For year ended December 31, 2020

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This management's discussion and analysis (MD&A), dated February 18, 2021, should be read in conjunction with the audited consolidated financial statements of EPCOR Utilities Inc. for the years ended December 31, 2020 and 2019, including significant accounting policies (note 3), novel coronavirus (note 5), business acquisitions (note 6), financial instruments (note 26), financial risk management (note 27), subsequent event (note 31) and the cautionary statement regarding forward-looking information at the end of this MD&A. In this MD&A, any reference to "the Company", "the Corporation", "EPCOR", "it", "its", "we", "our" or "us", except where otherwise noted or the context otherwise indicates, means EPCOR Utilities Inc., together with its subsidiaries. Financial information in this MD&A is based on the audited consolidated financial statements, which were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB) and effective on December 31, 2020, and is presented in Canadian dollars unless otherwise specified. Terms used throughout this MD&A are defined in the Glossary at the end of this document.

In accordance with its terms of reference, the Audit Committee of the Company's Board of Directors reviews the contents of the MD&A and recommends its approval by the Board of Directors. This MD&A was approved and authorized for issue by the Board of Directors on February 18, 2021.

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 and 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 consumers under contracts through its Encor brand. In addition, EPCOR provides design, build, finance, operating and maintenance services for electrical, water, wastewater and natural gas infrastructure for municipal and industrial customers in Canada and the U.S. As part of its environmental initiative, EPCOR also intends to invest in renewable energy generation projects, where commodity risk can be appropriately managed. 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 $64 million and $276 million for the three and twelve months ended December 31, 2020, respectively, compared with net income of $59 million and $231 million for the comparative periods in 2019, respectively. The increase of $5 million for the three months ended December 31, 2020, was primarily due to higher transmission system access service charge net collections and higher Adjusted EBITDA, as described below, partially offset by unfavorable fair value adjustments related to financial electricity purchase contracts and higher depreciation, income tax and finance expenses. The increase of $45 million for the twelve months ended December 31, 2020, was primarily due to higher transmission system access service charge net collections, lower income tax expense and higher Adjusted EBITDA, as described below, partially offset by unfavorable fair value adjustments related to financial electricity purchase contracts and higher depreciation and finance expenses.

Adjusted EBITDA is a non-IFRS financial measure as described in Adjusted EBITDA and Net Income section on page 6 of this MD&A.

Adjusted EBITDA was $200 million and $776 million for the three and twelve months ended December 31, 2020, respectively, compared with $194 million and $730 million for the comparative periods in 2019, respectively. The increase of $6 million and $46 million for the three and twelve months ended December 31, 2020, respectively, was primarily due to higher water and wastewater customer rates and customer growth, higher electricity transmission customer rates, higher water consumption in Arizona due to hot and dry weather conditions and higher water revenues in Arizona due to a tax reform adjustment credit on customer bills in 2019 with no corresponding credit in 2020, partially offset by higher provisions for expected credit losses from customers resulting from the deferral of utility bill payments and lower Energy Price Setting Plan (EPSP) margins. In addition, for the twelve months ended December 31, 2020, higher electricity distribution rates, partially offset by lower other revenues resulting from the temporary suspension of late payment and disconnections fees (together with the expected credit losses, collectively referred to as the customer utility bill payment deferral program).

STRATEGY

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

EPCOR's electricity strategy includes maintaining and developing new distribution and transmission infrastructure in its Edmonton franchise service area, maintaining and developing new distribution infrastructure in its Ontario licensed areas, as well as, the development and / or acquisition of new electrical rate-regulated or contracted assets and operations in new markets.

EPCOR's water strategy includes maintaining and developing new regulated water treatment and distribution infrastructure, sanitary and stormwater collection and wastewater treatment infrastructure within its current franchise service areas and the development and / or acquisition of new water and wastewater rate-regulated or contracted assets and operations in new markets. This includes design, build, finance, operating and maintenance services for municipal water and wastewater treatment infrastructure and the provision of water and wastewater treatment services and potable and process water for industrial customers. EPCOR expects that significant capital investment will be required in its Edmonton franchise service area to address flood mitigation and other infrastructure needs related to its sanitary and stormwater systems.

We believe the long-term outlook for the North American electricity, natural gas and water and wastewater businesses remains strong. The demand for electricity, natural gas and water and wastewater infrastructure in North America is expected to increase due to population growth, aging infrastructure and water scarcity issues. Further, consumer expectations are increasing for safe, high quality water; reliable and environmentally responsible energy and wastewater treatment and disposal.

Over the next five years, we plan to invest in electricity, natural gas, water and wastewater 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 including Ontario and Texas where we have made recent acquisitions. EPCOR also intends to invest in renewable energy generation including solar, renewable natural gas and biogas facilities within its geographical footprint, where commodity risk can be minimized, to enhance its environmental performance. EPCOR recognizes the importance of Environmental, Social and Corporate Governance (ESG) issues to its stakeholders and investors and continues to develop its ESG framework and practices to ensure that the Company has a strong strategic position related to ESG. The Company is planning to issue its ESG report in mid-2021.

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

KEY PERFORMANCE INDICATORS

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

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

EPCOR's 2020 total recordable injury frequency rate was favorable compared to 2020 target. We remain committed to building a culture that supports a workplace free of occupational injury and illness with minimized environmental impact. The Company met or exceeded most of its targets in 2020. Segment performance measures are discussed under Segment Results of this MD&A.

SIGNIFICANT EVENTS

Changes to the Board of Directors

On April 28, 2020, Helen Sinclair, retired from the Board of Directors of the Company after serving as a Director since 2008 and Leontine Atkins was appointed to the Board of Directors of the Company.

Novel Coronavirus (COVID-19)

In March 2020, the global outbreak of the novel coronavirus (COVID-19) was declared a pandemic by the World Health Organization. In response to the outbreak, governmental authorities globally introduced various recommendations and measures to try to limit the spread of the pandemic, including non-essential business closures, quarantines, travel restrictions, self-isolation, social and physical distancing and shelter-in-place. These measures caused disruptions to businesses globally, resulting in an economic slowdown.

In Canada, the spread of COVID-19 showed signs of slowing down in the second and third quarters of the year, and most of the restrictions were gradually lifted by the provincial governments. However, in the fourth quarter of the year, the number of COVID-19 cases started to rise and the federal and provincial governments started imposing restrictions again. In U.S., the rate of COVID-19 outbreaks still remains high and plans to ease government restrictions vary amongst states.

With the declaration of pandemic, the Company in March 2020, activated its business continuity plan to ensure the safety of its employee and customers, as well as smooth operations of the essential utility services. During the year, the Company continued to provide undisrupted safe and reliable services to all its customers. In order to ensure the safety of employees, various measures including health screening, social distancing, use of masks, enhanced sanitization and restriction on non-essential travel were also introduced by the Company. The Company was also able to smoothly rollout working from home, where all employees except where operationally required, were required to work from their homes. Working from home required changes in the work processes including financial control processes to ensure timely and efficiently completion of tasks. Working from home also increased the cybersecurity risk of unauthorized access of the sensitive information. The Company was able to amend the work processes with heightened security around system access without comprising on the internal controls. We will continue to follow the practice of working from home, until such time it is determined by the Company that the risk of spread of pandemic on returning employees is significantly reduced.

One of the economic impacts of the COVID-19 outbreak was on our customers. The Company, in collaboration with various governments, provided support to its customers during the difficult economic conditions with the measures including deferral of utility bill payments, as well as, temporarily suspending customer disconnections and collections activities. These measures resulted in delays in the collection of amounts due from customers, as well as higher expected credit losses from customers. It is expected that the Company will be able to recover most of the losses incurred under the utility bill payment and deferral program, and is working with its various regulators regarding methods for recovering the losses incurred by the Company. Another economic impact of the COVID-19 pandemic faced by the Company was a decline in the sale of water and electricity to its commercial customers, which was mostly offset by higher sales to residential and multi-residential customers. During the year ended December 31, 2020, the COVID-19 pandemic did not result in any material impact on the financial results of the Company.

The Company continues to monitor the situation and the advice from various governments and public health officials with a view of responding to changing circumstances and adapting suitable responses to mitigate the risks to its operations and the safety of its employees.

For further discussion of the COVID-19 outbreak and its impacts on the Company, please refer to the Risk Factors and Risk Management section below.

SUBSEQUENT EVENT

Business acquisition of Johnson Utilities LLC

On January 29, 2021, the Company assumed operations and acquired substantially all of the water treatment and distribution and wastewater collection and treatment assets of Johnson Utilities LLC (JU), for consideration of $140 million (US$110 million) including cash consideration of $127 million (US$100 million) and long-term debt of $13 million (US$10 million). The acquired assets are located southeast of the greater metropolitan Phoenix area, providing services to approximately 30,000 water and 42,000 wastewater customers and holding a certificate of convenience and necessity that covers 160 square miles. The operations of the utility are regulated by the Arizona Corporation Commission (ACC).

SIGNIFICANT ACCOUNTING POLICY CHANGES

The audited consolidated financial statements for the years ended December 31, 2020 and 2019, have been prepared in accordance with IFRS. The Company has adopted amendments to various accounting standards effective January 1, 2020, which did not have a significant impact on the Company's financial statements.

CONSOLIDATED FINANCIAL INFORMATION

($ million) **Years ended December 31,**	**2020**	**2019**	**2018**
Revenues	$ 1,988	$ 1,864	$ 1,758
Adjusted EBITDA	776	730	700
Net income	276	231	295
Capital spending and investment	938	786	653
Total assets	12,180	11,421	10,656
Loans and borrowings (non-current)	3,207	3,026	2,630
Other financial liabilities (non-current)	165	176	90
Common share dividends	171	171	166

Revenues

($ millions)	Three months ended December 31, 2020	Three months ended December 31, 2019	Twelve months ended December 31, 2020	Twelve months ended December 31, 2019
Water Services segment	$ 170	$ 162	$ 676	$ 646
Distribution and Transmission segment	131	110	494	441
Energy Services segment	107	129	433	485
U.S. Operations segment	71	61	286	250
Other	42	19	131	71
Intersegment eliminations	(9)	(7)	(32)	(29)
Revenues	**$ 512**	**$ 474**	**$ 1,988**	**$ 1,864**

Consolidated revenues were higher by $38 million and $124 million for the three and twelve months ended December 31, 2020, respectively, compared with the corresponding periods in 2019, primarily due to the net impact of the following:

- Water Services' segment revenues increased by $8 million and $30 million for the three and twelve months ended December 31, 2020, respectively, compared with the corresponding periods in 2019, primarily due to higher water and wastewater customer rates (including non-routine adjustments (NRAs)), customer growth and higher water consumption for residential and multi-residential customers, partially offset by lower water consumption for commercial customers. In addition, for the twelve months ended December 31, 2020, there were lower construction and commercial revenues due to certain operating and maintenance contracts coming to an end in 2019.
- Distribution and Transmission segment revenues increased by $21 million and $53 million for the three and twelve months ended December 31, 2020, respectively, compared with the corresponding periods in 2019, primarily due to higher electricity transmission customer rates and higher transmission system access service charge net collections. In addition, for the twelve months ended December 31, 2020, electricity distribution customer rates and commercial services revenues were higher.
- Energy Services' segment revenues decreased by $22 million and $52 million for the three and twelve months ended December 31, 2020, respectively, compared with the corresponding periods in 2019, primarily due to lower EPSP and default supply revenues due to lower electricity prices and lower electricity consumption due to lower site counts, partially offset by higher commercial services revenues related to billing and customer care services and higher Encor revenues due to a change in the terms of certain customer contracts resulting in presentation of gross revenues in 2020, compared to revenues net of related expenses in corresponding periods in 2019. In addition, for the twelve months ended December 31, 2020, other revenues were lower due to the temporary suspension of late payment charges and collection fees as a result of the COVID-19 customer utility bill payment deferral program.
- U.S. Operations' segment revenues increased by $10 million and $36 million for the three and twelve months ended December 31, 2020, respectively, compared with the corresponding periods in 2019, primarily due to higher water rates, customer growth, higher water consumption due to hot and dry weather conditions, higher water revenues in Arizona due to a tax reform adjustment credit on customer bills in 2019, with no corresponding credit in 2020, and higher commercial services revenues due to commencement of operations and maintenance of the Vista Ridge pipeline in April, 2020. In addition, for the twelve months ended December 31, 2020, foreign exchange rates were higher.

- Other revenues increased by $23 million for three months ended December 31, 2020, compared with corresponding period in 2019 due to higher construction revenues primarily due to higher construction activity on the electricity sub-station infrastructure for the Trans Mountain pipeline expansion project in April, 2020.

  Other revenues increased by $60 million for the twelve months ended December 31, 2020, compared with the corresponding period in 2019, due to higher construction revenues primarily due to higher construction activity on the electricity sub-station infrastructure for the Trans Mountain pipeline expansion project, higher electricity prices for operations in Ontario, partially offset by lower natural gas distribution revenues due to lower prices and lower volumes resulting from warmer weather.

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 and transmission system access service charge net collections (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 services 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 will be 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, which 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.

($ millions)	**Three months ended December 31,**		**Twelve months ended December 31,**	
	2020	**2019**	**2020**	**2019**
Adjusted EBITDA by Segment				
Water Services segment	$ 84	$ 81	$ 335	$ 309
Distribution and Transmission segment	62	64	233	223
Energy Services segment	9	17	34	52
U.S. Operations segment	37	28	152	131
Other	8	4	22	15
Adjusted EBITDA	**200**	**194**	**776**	**730**
Finance expenses	(35)	(27)	(137)	(125)
Income tax expense	(5)	(3)	(16)	(35)
Depreciation and amortization	(96)	(89)	(351)	(328)
Change in fair value of financial electricity purchase contracts	(5)	-	(1)	10
Transmission system access service charge net collections	5	(16)	5	(21)
Net income	**$ 64**	**$ 59**	**$ 276**	**$ 231**

Changes in each business segment's Adjusted EBITDA, compared with the corresponding periods in 2019, are described in Segment Results below. Explanations of the remaining variances in net income for the three and twelve months ended December 31, 2020, compared with the corresponding periods in 2019, are as follows:

- Higher financing expenses of $8 million and $12 million for the three and twelve months ended December 31, 2020, respectively, were primarily due to a full year of interest expense on issuances of long-term debt in July, 2019, and interest expense on the issuance of long-term debt in May, 2020, as well as, no revaluation gain on the contingent consideration in 2020, compared with a gain on revaluation in 2019, partially offset by higher capitalization of interest in 2020.
- Higher income tax expense of $2 million for the three months ended December 31, 2020, was primarily due to additional tax expense recognized in 2020 from the changes in Alberta corporate income tax rates.

  Lower income tax expense of $19 million for the twelve months ended December 31, 2020, was primarily due to lower income subject to income tax in 2020, as well as, higher deferred income tax expense resulting from a smaller decrease in the Alberta corporate income tax rate in 2020 compared to the decrease in Alberta corporate income tax rate in 2019.
- Higher depreciation and amortization of $7 million and $23 million for the three and twelve months ended December 31, 2020, respectively, was primarily due to full year depreciation and amortization expense on 2019, asset additions and depreciation and amortization expense on 2020, asset additions, partially offset by lower loss on disposal of assets.
- Unfavorable changes in the fair value of financial electricity purchase contracts of $5 million for the three months ended December 31, 2020, were primarily due to electricity contracted prices being higher than the market forward prices in 2020, compared with no difference between the electricity contracted prices and market forward prices in 2019.

  Unfavorable changes in the fair value of financial electricity purchase contracts of $11 million for the twelve months ended December 31, 2020, were primarily due to electricity contracted prices being higher than the market forward prices in 2020, compared with market forward prices being higher than the contracted prices in 2019.
- Higher transmission system access service charge net collections of $21 million and $26 million for the three and twelve months ended December 31, 2020, respectively, were primarily due to the recognition of an Alberta Electric System Operator (AESO) deferral account true-up based on a decision received in the fourth quarter of 2019, as well as, lower payments to the AESO for system access in 2020, partially offset by higher electricity distribution flow though payments to Independent Electricity System Operator for operations in Ontario.

SEGMENT RESULTS

Water Services

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

Water Services' primary objective is to reliably supply drinking water, 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 a performance based rate tariff charged to its Edmonton customers. The performance based rate tariff is 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 tariff. Under the Performance Based Regulation (PBR) framework, customer rates are adjusted for inflation and expected efficiency improvements over the PBR term.

In October 2016, EPCOR's Water Services segment received the decision related to its 2017-2021 Edmonton water and wastewater PBR application under Bylaw 17698 EPCOR Water Services and Wastewater Treatment Bylaw (Edmonton water and wastewater Bylaw). The decision includes a 10.175% return on equity which is applicable for the full term of the PBR Bylaw. Within the PBR term NRAs to rates, for certain costs outside management's control may be allowed if they meet criteria under the Edmonton water and wastewater Bylaw, and PBR has service quality metrics and targets for the utility to meet. For the 2017-2021 PBR term, the City of Edmonton (the City) approved four NRAs to the water and wastewater treatment rates. Effective April 1, 2019, a negative NRA for the impacts of reductions in corporate administration cost allocations resulting from the transfer of the Drainage utility to EPCOR is being applied to the fixed monthly service charges. The remaining three NRAs pertain to Leduc County Annexation, Light Rail Transit Relocations of water infrastructure and Lead Mitigation Strategy. These NRAs are being added to the fixed monthly service charges effective April 1, 2020.

The City approved Bylaw 18100 EPCOR Drainage Services Bylaw (Drainage Bylaw) to cover the period from January 1, 2018 to March 31, 2022, which includes customer rates and terms and conditions for Drainage services under PBR. The Drainage Bylaw reflects EPCOR's commitment to hold average annual rate increases to 3% for the current PBR term. For the aforementioned PBR term, the City has approved three NRAs to the sanitary and stormwater treatment rates for the Stormwater Integrated Resource Plan (SIRP), Corrosion and Odour Reduction Strategy (CORe) and Light Rail Transit Relocations of drainage infrastructure. These NRAs are being added to the variable rate charges effective January 1, 2020. In February 2020, the Drainage Bylaw was amended to include performance measures, targets and penalties to ensure standard levels of performance are achieved in the areas of customer service, the environment, system reliability and employee safety.

With the expiration of the Edmonton water and wastewater Bylaw and Drainage Bylaw on March 31, 2022, EPCOR is in the process of preparing PBR Bylaw applications for these services. The upcoming PBR applications are expected to be filed in early 2021. The PBR application for water will cover the five-year period effective from April 1, 2022 to March 31, 2027, while the PBR applications for wastewater, sanitary and stormwater services will cover a three-year period effective from April 1, 2022 to March 31, 2025.

In 2018, EPCOR initiated the development of the SIRP to provide a risk-based approach to prioritize investments in stormwater infrastructure. The SIRP was identified by the City as one of the action items to support overall City ability to adapt to changing climate conditions and aligns with the City of Edmonton Climate Change Adaptation and Resiliency Strategy. The SIRP approach allows for a continuous and adaptable plan that incorporates traditional sanitary and stormwater infrastructure upgrades with more environmentally friendly infrastructure improvements including implementation of green infrastructure. The risk methodology of the SIRP includes a risk analysis by sub-basin on four perspectives: health and safety, environment, social and financial impacts to properties, along with detailed maps. In 2019, EPCOR presented the City's Utility Committee with various options to execute the SIRP program, with a recommended 20 year SIRP capital plan with cost of approximately $1.6 billion. A formal NRA application was filed by EPCOR in August 2019, which was approved on November 26, 2019. The NRA is an interim measure to recover the costs until project costs are included in upcoming PBR terms.

Operationally, the facilities owned or managed by Water Services generally performed according to plan in 2020. EPCOR was able to maintain the required quality of Edmonton's drinking water and wastewater discharge throughout the year. Due to the impacts of the COVID-19, water sales to commercial and regional customers were lower which were mostly offset by higher sales to residential and multi residential customers. The COVID-19 impact combined with lower temperatures and higher precipitation in 2020, and an overall declining water consumption trend, resulted in lower water consumption than anticipated throughout the year.

Work on several significant projects within Edmonton progressed uninterrupted in 2020. These projects include the annual water main renewal and protection programs required to improve Edmonton's water distribution system, annual water, sanitary and stormwater service connections programs to provide new connections throughout Edmonton, upgrade and rehabilitation projects at both the E.L. Smith Water Treatment Plant (E.L. Smith WTP) and the Gold Bar Wastewater Treatment Facility (Gold Bar), purchase of a new operations service center which will allow for consolidation of field crews into one site, acquisition of water mains and reservoirs in newly annexed areas, renewal of the sanitary system to address aging infrastructure in mature neighborhoods, rehabilitation of trunks impacted by corrosion and odour issue, stormwater dry ponds upgrades to mitigate the future risk of flooding in various communities, rehabilitation of the trunk sewers in Groat Road and new trunk sewer infrastructure to support new development.

Water Services Operating Income and Adjusted EBITDA

($ millions, including intersegment transactions)		Three months ended December 31, 2020	Three months ended December 31, 2019	Twelve months ended December 31, 2020	Twelve months ended December 31, 2019
Revenues	Water sales	$ 56	$ 54	$ 232	$ 219
	Provision of services	109	102	432	410
	Construction revenues	4	4	7	11
	Other commercial revenue	1	2	5	6
		170	162	676	646
Expenses	Other raw materials and operating charges	24	23	93	102
	Staff costs and employee benefits expenses	38	32	146	140
	Depreciation and amortization	46	41	163	151
	Franchise fees and property taxes	9	8	35	33
	Other administrative expenses	8	9	34	30
		125	113	471	456
Operating income before corporate charges		45	49	205	190
Corporate charges		(7)	(9)	(33)	(32)
Operating income		**38**	**40**	**172**	**158**
Exclude depreciation and amortization		46	41	163	151
Adjusted EBITDA		**$ 84**	**$ 81**	**$ 335**	**$ 309**

	Three months ended December 31,	Twelve months ended December 31,
Adjusted EBITDA for the periods ended December 31, 2019	**$ 81**	**$ 309**
Higher water and wastewater rates and customer growth	8	33
Lower water treatment costs	1	1
Higher commercial margins	2	1
Higher staff costs	(6)	(6)
Higher provision for expected credit losses	-	(2)
Other	(2)	(1)
Increase in Adjusted EBITDA	3	26
Adjusted EBITDA for the periods ended December 31, 2020	**$ 84**	**$ 335**

Water Services' Adjusted EBITDA increased by $3 million and $26 million for the three and twelve months ended December 31, 2020, compared with the corresponding periods in 2019, primarily due to higher water and wastewater customer rates including NRAs, customer growth and higher water consumption for residential and multi-residential customers mostly offset by lower water consumption for commercial customers, lower water treatment costs for operations in the city of Edmonton due to better water quality of the North Saskatchewan River and higher commercial margins, partially offset by higher staff costs primarily due to inflation on wages and higher benefit costs, and higher NRA related operating expenses. In addition, for the twelve months ended December 31, 2020, there was a higher provision for expected credit losses from customers as a result of the COVID-19 related customer utility bill payment deferral program.

Year ended December 31,	2020	2019
Water sales volumes (megalitres)		
Water sales for Edmonton and surrounding region	121,621	122,473

Water sales decreased in 2020, compared with 2019, primarily due lower volumes for commercial and regional customers in Edmonton as a result of the COVID-19 related impacts, lower temperatures and a declining water consumption trend, partially offset by higher sales volumes to residential and multi-residential customers primarily due to COVID-19 related impacts and customer growth.

Year ended December 31,	2020	2019
Sanitary volumes (millions of cubic metres)		
Sanitary volumes for Edmonton and surrounding region	85,563	85,356

Edmonton and surrounding region sanitary volumes were higher in 2020, compared with 2019, primarily due to customer growth and higher volumes for residential and multi-residential customers, partially offset by lower volumes from commercial customers, lower volumes resulting from lower temperatures and a declining water consumption trend.

Distribution and Transmission

Distribution and Transmission is involved in the transmission and distribution of electricity within Edmonton. The segment also provides commercial services including the design, construction and maintenance of street lighting, traffic signal and light rail transit electrical infrastructure for the City and other municipal and commercial customers in Alberta.

Distribution and Transmission's priority is to be a trusted provider of safe and reliable electricity, known for operational excellence through innovative and practical solutions. Distribution and Transmission earns income principally by transmitting high-voltage electricity through its facilities that form part of the Alberta Interconnected Electrical System to points of distribution, and from there, distributing lower voltage electricity to end-use customers. The transmission services are provided to the AESO. The distribution services are provided to retailers within its distribution service area in Edmonton. Distribution and Transmission's assets are located in and around Edmonton and are rate-regulated by the Alberta Utilities Commission (AUC). Transmission charges a regulated rate tariff (RRT) intended to allow recovery of prudent costs and earn a fair rate of return on invested capital. Distribution earns income through a performance based rate tariff charged to its customers. The performance based rate 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.

Transmission filed its 2020-2022 Transmission Facility Owner Tariff Application with the AUC on July 31, 2019. On April 17, 2020, a favorable decision on the tariff application was received and final rates were effective from August 2020.

EPCOR participated in the 2021 Generic Cost of Capital (GCOC) proceeding in which the AUC was planning to set the return on equity (ROE) and capital structure for 2021 and 2022. On October 13, 2020, the AUC issued its 2021 GCOC decision. The AUC directed that the ROE for 2021 remains at 8.5% and the equity ratio remains at 37% for both Distribution and Transmission utilities extending the currently approved rate for the full duration of 2021. The AUC will commence a new GCOC proceeding to address future periods beyond 2021, at a later date.

On September 27, 2019, the AESO filed an application with the AUC requesting approval for its 2017 and 2018 deferral account reconciliation and for changes to deferral account balances from 2006 to 2016, representing the reconciled variances arising between the actual costs the AESO has incurred in providing system access services and the forecast amounts recovered in rates charged to market participants for those years. In December 2019, the AUC provided its decision to settle the net deferral account shortfall with market participants. As a result, in 2019, Distribution recorded a $19 million payable to the AESO representing its share of the total decision costs. In November 2019, the AUC issued its decision to approve Distributions Annual Transmission Access Charge Deferral Account True-Up as filed resulting in a net collection from Retailers of $15 million (net of $4 million in refunds on other components and collections from direct connect customers). During the year, EPCOR has recovered $14 million from customers and recorded as revenues. The remaining $1 million will be recovered in future periods as the amounts are billed to customers.

On November 2, 2020, the AUC approved the AESO's proposed 2019 deferral account reconciliation shortfall. As a result, Distribution recorded a $5 million payable to the AESO representing its share of the total decision costs. On December 7, 2020, the AUC approved Distribution's ability to collect this amount from retailers in calendar year 2021.

In April 2020, the AUC approved EPCOR's application to expand its Distribution service territory to include two areas of land that the City annexed from Leduc County and the Town of Beaumont in January 2019. EPCOR anticipates that the AUC approval of the purchase price and the transfer of the assets from Fortis and the Battle River Rural Electrification Association to EPCOR will be received in 2021. The addition of the annexed areas will not have a material impact on EPCOR's operations.

Effective April 1, 2019, the Company is operating under two new agreements with the City to provide electrical services related to installation, maintenance, and repair of street lighting, traffic signals and light rail transit. These agreements are master service agreements with an initial term of two years and are renewable at the City's option for an additional two years. The primary contract is the Electrical Services Agreement which assigns sole-source work and is based on unit pricing and fixed fee for a set project scope. The Electrical Contractor, Traffic Signals and Street Lighting Agreement provides the City commercial flexibility to tender work. EPCOR is one of five pre-approved vendors able to compete on projects as they are released for bid. During the year, EPCOR has been awarded work under both of the agreements, however the volume work has reduced as EPCOR is transitioning away from the City street light operating and maintenance and system damage repair work.

Work on several significant capital projects proceeded in 2020. These projects include the new southwest Edmonton substation and duct bank under the North Saskatchewan river for two new 25 kV circuits which are needed to meet demand in south-west Edmonton, ongoing work to connect new residential and industrial customers to EPCOR's distribution system, the annual underground Distribution cable life cycle replacement program to address system reliability, continuation of work on Distribution aerial and underground line reconfigurations, the Strathcona capacity and the West Edmonton Transmission Upgrade Project which are both needed to comply with the AESO operating and reliability requirements, and providing development rebates to land developers who construct underground primary and secondary distribution infrastructure for new residential lot developments within the city of Edmonton.

Distribution and Transmission Operating Income and Adjusted EBITDA

($ millions, including intersegment transactions)		Three months ended December 31, 2020	Three months ended December 31, 2019	Twelve months ended December 31, 2020	Twelve months ended December 31, 2019
Revenues	Provision of services				
	Distribution	$ 80	$ 60	$ 301	$ 264
	Transmission	27	25	108	102
	Commercial and other	24	25	85	75
		131	110	494	441
Expenses	Other raw materials and operating charges	14	15	54	44
	Staff costs and employee benefits expenses	20	18	80	78
	Depreciation and amortization	23	24	96	93
	Franchise fees and property taxes	21	20	83	80
	Other administrative expenses	3	4	16	15
		81	81	329	310
Operating income before corporate charges		50	29	165	131
Corporate charges		(5)	(5)	(22)	(22)
Operating income		**45**	**24**	**143**	**109**
Exclude depreciation and amortization		23	24	96	93
Exclude transmission system access service charge net collections		(6)	16	(6)	21
Adjusted EBITDA		**$ 62**	**$ 64**	**$ 233**	**$ 223**

	Three months ended December 31,	Twelve months ended December 31,
Adjusted EBITDA for the periods ended December 31, 2019	**$ 64**	**$ 223**
Higher (lower) distribution customer rates	(2)	8
Higher transmission customer rates	1	6
Lower (higher) provision for expected credit losses	2	(1)
Lower commercial margins	(1)	-
Other	(2)	(3)
Increase (decrease) in Adjusted EBITDA	(2)	10
Adjusted EBITDA for the periods ended December 31, 2020	**$ 62**	**$ 233**

Distribution and Transmission’s Adjusted EBITDA decreased by $2 million for the three months ended December 31, 2020, compared with the corresponding period in 2019, primarily due to lower distribution customer rates, lower work volumes and margin rates for commercial services, partially offset by lower provision for expected credit losses and higher electricity transmission customer rates.

Distribution and Transmission’s Adjusted EBITDA increased by $10 million for the twelve months ended December 31, 2020, compared with the corresponding period in 2019, primarily due to higher electricity distribution and transmission customer rates, partially offset by higher provision for expected credit losses.

Year ended December 31,	2020	2019
Distribution reliability and electricity volumes		
Reliability (system average interruption duration index in hours)	0.61	0.78
Electricity distribution (gigawatt hours)	7,249	7,460

Distribution and Transmission's primary measure of distribution system reliability is the System Average Interruption Duration Index (SAIDI), which it focuses on minimizing. This measure captures the annual average number of hours of interruption experienced by Distribution and Transmission's customers, including scheduled and unscheduled interruptions to its primary distribution circuits. In 2020, the SAIDI was 0.61 hours which is an improvement from the 2019 value of 0.78 hours. Distribution and Transmission will continue with its reliability improvement programs to help maintain and improve overall system reliability. Electricity distribution volumes in 2020 decreased by 3% compared to 2019.

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.

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

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

The RRO business, which comprises the majority of the Energy Services business segment, has its rates regulated by the AUC under a cost-of-service based framework. The cost-of-service based framework allows the Corporation to recover its costs and earn a fair margin. The 2021-2022 RRO rate application is expected to be filed in mid 2021, with a decision expected in late 2021 or 2022.

Energy Services' allowed electricity revenue is determined in accordance with an EPSP approved by the AUC. Under the EPSP, Energy Services manages its exposure to customer load and fluctuating wholesale electricity spot prices by entering into financial electricity purchase contracts in advance of the month of consumption under a defined risk management process. On March 16, 2018, Energy Services received approval for the 2018-2021 EPSP, including approval of market based mechanism to set EPCOR's risk compensation, which further increases the alignment between changes in wholesale market conditions and EPCOR's commodity risk compensation. 2018-2021 EPSP was implemented effective April 1, 2019. EPCOR is in the process of preparing the application for the 2021-2024 EPSP, which is expected to be filed in early 2021 with a decision expected in late 2021 or early 2022.

Energy Services also serves the competitive retail market by offering electricity and natural gas contracts to Alberta consumers under the Encor brand, which partly mitigates the impact of RRO customer attrition. The service offerings which includes green energy options, provides customers wishing to move from the RRO to a competitive contract with an Encor offering.

Energy Services Operating Income and Adjusted EBITDA

($ millions, including intersegment transactions)		Three months ended December 31, 2020	2019	Twelve months ended December 31, 2020	2019
Revenues	Electricity and natural gas sales	$ 102	$ 119	$ 400	$ 446
	Provision of services	5	10	33	39
		107	129	433	485
Expenses	Energy purchases and system access fees	79	94	315	355
	Other raw materials and operating charges	(1)	-	-	-
	Staff costs and employee benefits expenses	10	8	36	30
	Depreciation and amortization	1	3	6	8
	Other administrative expenses	11	7	36	28
		100	112	393	421
Operating income before corporate charges		7	17	40	64
Corporate charges		(4)	(3)	(13)	(10)
Operating income		**3**	**14**	**27**	**54**
Exclude depreciation and amortization		1	3	6	8
Exclude change in fair value of financial electricity purchase contracts		5	-	1	(10)
Adjusted EBITDA		**$ 9**	**$ 17**	**$ 34**	**$ 52**

	Three months ended December 31,	Twelve months ended December 31,
Adjusted EBITDA for the periods ended December 31, 2019	**$ 17**	**$ 52**
Higher commercial services revenue	1	5
Higher provision for expected credit losses	(2)	(8)
Higher staff costs	(2)	(6)
Lower EPSP margins	(4)	(5)
Lower other revenues	-	(3)
Other	(1)	(1)
Decrease in Adjusted EBITDA	(8)	(18)
Adjusted EBITDA for the periods ended December 31, 2020	**$ 9**	**$ 34**

Energy Services' Adjusted EBITDA decreased by $8 million and $18 million for the three and twelve months ended December 31, 2020, respectively, compared with the corresponding periods in 2019, primarily due a higher provision for expected credit losses from customers mainly resulting from the customer utility bill payment deferral program, lower EPSP margins and higher staff costs related to additional operational support required during development of the new billing system, partially offset by higher commercial services revenues related to billing and customer care services. In addition, for the twelve months ended December 31, 2020, there were lower other revenues resulting from the customer utility bill payment deferral program.

Energy Services' retail sales volumes were as follows:

Year ended December 31,	2020	2019
Retail electricity sales (gigawatt hours)		
RRO	4,545	4,700
Default and Competitive supply	1,009	974
Total	5,554	5,674

Energy Services' RRO sales volumes were lower in 2020, compared with 2019, primarily due to decrease in customer sites. The increased default and competitive supply sales volume was primarily due to increase in the number of competitive customer sites, partially offset by decrease in default customer sites as well as lower consumption per site.

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 August 20, 2020, EPCOR purchased the assets of Brooke Water LLC (Brooke) for cash consideration of $2 million. Brooke is located near the Town of Parker, near EPCOR's existing service area in Lake Havasu City, Arizona. Brooke is currently serving approximately 2,100 water customers. The consideration of $2 million was allocated to property, plant and equipment based on the fair value of assets acquired.

Customer rates in Arizona and New Mexico are subject to approval by the ACC and the New Mexico Public Regulation Commission, respectively. Customer rates are intended to allow EPCOR the opportunity to recover costs and earn a reasonable rate of return under a historical cost-of-service framework.

At December 31, 2020, in Arizona and New Mexico, EPCOR owned operations in 16 water utility districts, each containing one or more water treatment and / or distribution facilities, and three wastewater utility districts, each containing one or more wastewater treatment and / or collection facilities. In the first quarter of 2019, the ACC considered U.S. Operation's rate application for consolidation of the 11 Arizona water utility districts, which resulted in a tie vote with no decision being rendered. The Company filed for interim rates for the 11 Arizona water utility districts, which were approved by the ACC in March 2019. The ACC ordered the Company to file a new rate application for the 11 Arizona water utility districts that could include regional consolidation options. The application, including various consolidation options, was filed on June 15, 2020, and a decision is expected in late 2021.

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

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

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

Work on several significant capital projects within the U.S. progressed satisfactorily in 2020. These projects primarily include the sewer main extension and wastewater treatment plant expansion west of metropolitan Phoenix to accommodate new industrial and commercial customers.

U.S. Operations Operating Income and Adjusted EBITDA

($ millions, including intersegment transactions)		Three months ended December 31, 2020	2019	Twelve months ended December 31, 2020	2019
Revenues	Natural gas and water sales	$ 50	$ 43	$ 208	$ 182
	Provision of services	21	18	78	68
		71	61	286	250
Expenses	Energy purchases and system access fees	1	1	3	4
	Other raw materials and operating charges	15	16	57	52
	Staff costs and employee benefits expenses	10	8	42	34
	Depreciation and amortization	17	15	61	54
	Franchise fees and property taxes	2	2	8	8
	Other administrative expenses	5	5	18	15
		50	47	189	167
Operating income before corporate charges		21	14	97	83
Corporate charges		(1)	(1)	(6)	(6)
Operating income		**20**	**13**	**91**	**77**
Exclude depreciation and amortization		17	15	61	54
Adjusted EBITDA		**$ 37**	**$ 28**	**$ 152**	**$ 131**

	Three months ended December 31,	Twelve months ended December 31,
Adjusted EBITDA for the periods ended December 31, 2019	**$ 28**	**$ 131**
Higher water sales volume	3	9
Tax reform adjustment on water customer bills	2	7
Higher water customer rates and customer growth	1	6
Lower maintenance and contractor costs	4	4
Higher staff costs	-	(4)
Higher provision for expected credit losses	(1)	(1)
Increase in Adjusted EBITDA	9	21
Adjusted EBITDA for the periods ended December 31, 2020	**$ 37**	**$ 152**

U.S. Operations' Adjusted EBITDA increased by $9 million and $21 million for the three and twelve months ended December 31, 2020, respectively, compared with the corresponding periods in 2019, primarily due to higher water rates, customer growth, higher water consumption due to hot and dry weather conditions in Arizona, higher water revenues in Arizona due to a tax reform adjustment credit on customer bills in 2019 with no corresponding credit in 2020 and lower tank maintenance and contractor costs, partially offset by higher staff costs primarily due to inflation on wages and higher benefit costs, and higher provision for expected credit losses from customers.

Year ended December 31,	2020	2019
Water sales volumes (megalitres)		
Water sales for Arizona and New Mexico	94,086	85,427
Wholesale (by EPCOR 130)	4,001	2,942
Total	98,087	88,369

Arizona and New Mexico water sales volumes increased in 2020 compared with 2019 primarily due to hot and dry weather conditions in 2020. EPCOR 130 water volumes increased in 2020, compared to 2019 due to increased volumes related to take or pay wholesale customer contracts.

Year ended December 31,	2020	2019
U.S. natural gas distribution volumes (thousands of cubic feet)		
Natural gas distribution volumes	292,296	297,851

Natural gas distribution volumes decreased in 2020, compared with 2019, primarily due to higher average temperatures in Houston resulting in lower average heating days.

Capital Spending and Investment

($ million) **Years ended December 31,**	**2020**	**2019**	**2018**
Water Services segment	$ 448	$ 333	$ 290
Distribution and Transmission segment	218	237	175
Energy Services segment	53	2	2
U.S. Operations segment	117	103	120
Other	88	80	29
Total capital spending	924	755	616
Brooke acquisition	2	-	-
Rio Verde Utilities Inc. acquisition	-	31	-
Collingwood PowerStream Utility Corp. acquisition	-	-	25
Payment of consideration for Vista Ridge	12	-	12
Total acquisitions and investment	14	31	37
Total capital spending and investment	**$ 938**	**$ 786**	**$ 653**

We continued to invest in our infrastructure assets to improve reliability and meet increasing electricity, natural gas, treated water, sanitary and stormwater collection and wastewater treatment demands. Total capital spending and investment increased by $152 million for the twelve months ended December 31, 2020, compared with the corresponding period in 2019, primarily due to higher capital spending in most of the Company's operating segments and payment of remaining consideration for Vista Ridge, partially offset by lower spending in Distribution and Transmission segment and business acquisitions.

Explanations of the variances in capital spending in each business segment for the year ended December 31, 2020, compared with the corresponding period in 2019, are as follows:

- The Water Services segment had higher spending primarily on the acquisition of a new operations service center, Parkallen Dry Pond project, Clover Bar biosolids lagoon cells relining project, 151 Street and 99 Avenue Trunk Rehabilitation, South Edmonton Sanitary Sewer project, Gold Bar Pipe Racks project, E.L. Smith Bypass main project, several water and sanitary sewer main projects and various growth and lifecycle projects. This was partially offset by lower spending on the Gold Bar Sludge line replacement project, Private Development

Water Transmission Mains and E.L. Smith Clarifier & Filter Building HVAC upgrade, which were substantially complete in 2019.

- The Distribution and Transmission segment had lower spending primarily on a 15kV and 25 kV circuits duct bank under the North Saskatchewan River, a new substation in southwest Edmonton and transmission line in the Norwood community of Edmonton, which were substantially complete in 2019, This was partially offset by higher spending on West Valley Light Rail Transit system relocation project and various lifecycle replacement and growth projects.
- The Energy Services segment had higher spending due to re-acquiring FortisAlberta service territory rights for a term of eight years.
- The U.S. Operations segment had higher spending on the sewer main extension and wastewater treatment plant expansion west of metropolitan Phoenix to accommodate new industrial and commercial customers, partially offset by lower spending on various growth projects, and higher foreign exchange on capital spending in 2019.
- In Other, higher spending was due to the Customer Information System Replacement project, which is a new customer billing system for various EPCOR segments that are served by Energy Services, partially offset by lower spending of Southern Bruce Design and Construction project.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION – ASSETS

($ millions)	December 31, 2020	December 31, 2019	Increase (decrease)	Explanation of material changes
Cash and cash equivalents	$ 8	$ 33	$ (25)	Refer to Consolidated Statements of Cash Flows section.
Trade and other receivables	488	473	15	Increase primarily due to higher water and wastewater revenue accruals, higher natural gas and electricity revenue accruals for Encor, offset by lower receivables from the City relating to construction work and lower RRO electricity revenue accruals resulting from lower volumes.
Inventories	17	18	(1)	
Other financial assets	189	127	62	Increase primarily due to purchase of early works assets and construction on the electricity infrastructure for the Trans Mountain pipeline expansion project, partially offset by payments received on long-term receivables and finance lease receivables.
Deferred tax assets	97	102	(5)	Decrease is primarily due to utilization of deferred tax asset against income subject to income tax for 2020, as well as, reduction in the carrying value of deferred tax assets due to decrease in the Alberta corporate tax rate.
Property, plant and equipment	10,913	10,280	633	Increase primarily due to capital expenditures and addition of right-of-use (ROU) assets on execution of new leases, partially offset by foreign currency valuation adjustments, depreciation expense and asset disposals and retirements.
Intangible assets and goodwill	468	388	80	Increase primarily due to capital expenditures primarily on new customer billing system and re-acquiring FortisAlberta service territory rights, partially offset by foreign currency valuation adjustments and amortization expense.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION – LIABILITIES AND EQUITY

($ millions)	December 31, 2020	December 31, 2019	Increase (decrease)	Explanation of material changes
Trade and other Payables	$ 426	$ 431	$ (5)	Decrease primarily due to decrease in payables to AESO for electricity costs, lower electricity cost accruals due to lower price and volumes, and lower capital accruals, partially offset by higher holdbacks, higher accruals for construction costs of the electrical infrastructure related to the Trans Mountain pipeline expansion project and Southern Bruce natural gas project.
Loans and borrowings (including current portion)	3,572	3,081	491	Increase primarily due to issuance of long-term debt ($400 million) and net issuance of short-term debt ($133 million), partially offset by principal repayments of long-term debt, payments for debt issuance costs and foreign currency valuation adjustments on U.S. dollar denominated debt.
Deferred revenue (including current portion)	3,992	3,778	214	Increase primarily due to customer and developer contributions received, partially offset by deferred revenue recognized and foreign currency valuation adjustments.
Provisions (including current portion)	142	130	12	Increase primarily due to higher accruals for employee benefit costs.
Other liabilities (including current portion)	214	241	(27)	Decrease primarily due to Drainage transition cost compensation payment, payment of the outstanding balance for Vista Ridge, payments for lease liabilities, partially offset by increase in lease liability due to execution of new lease agreement and foreign currency valuation adjustments.
Deferred tax liabilities	43	56	(13)	Decrease is primarily due to recognition of timing differences for US operations and foreign currency valuation adjustments.
Equity	3,791	3,704	87	

CONSOLIDATED STATEMENTS OF CASH FLOWS

($ millions) **Cash inflows (outflows)**				
Three months ended December 31,	**2020**	**2019**	**Increase (decrease)**	**Explanation**
Operating	$ 147	$ 118	$ 29	Higher inflows are primarily due to higher net cash flows from operations and higher funds from the changes in non-cash operating working capital.
Investing	(333)	(269)	(64)	Higher outflows are primarily due to higher capital expenditures, higher advances on other financial assets primarily related to the Trans Mountain pipeline expansion project and lower funds from the changes in non-cash investing working capital.
Financing	74	(36)	110	Higher inflows are primarily due to issuance of short-term debt partially offset by higher repayments of long-term debt.
Opening cash and cash equivalents	120	220	(100)	
Closing cash and cash equivalents	$ 8	$ 33	$ (25)	

($ millions) **Cash inflows (outflows)**				
Twelve months ended December 31,	**2020**	**2019**	**Increase (decrease)**	**Explanation**
Operating	$ 688	$ 553	$ 135	Higher inflows are primarily due to higher net cash flows from operations including higher contributions received and higher funds from the changes in non-cash operating working capital.
Investing	(1,028)	(770)	(258)	Higher outflows are primarily due to higher capital expenditures, payment of the outstanding consideration for Vista Ridge, higher advances on other financial assets primarily related to the Trans Mountain pipeline expansion project and lower funds from the changes in non-cash investing working capital, partially offset by lower payments related to business acquisition and Drainage transition cost compensation.
Financing	315	218	97	Higher inflows are primarily due to higher proceeds from issuance of short-term debt, partially offset by lower proceeds from issuance of long-term debt in 2020 ($400 million) compared to proceeds in 2019 ($450 million) and higher repayments of long-term debt.
Opening cash and cash equivalents	33	32	1	
Closing cash and cash equivalents	$ 8	$ 33	$ (25)	

Operating Activities and Liquidity

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

The COVID-19 outbreak has resulted in lower than anticipated cash flows from operating activities due to higher than expected credit losses from customer defaults primarily resulting from the customer utility bill payment deferral program and the impacts of other government measures in response to the COVID-19 on general economic conditions. 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 syndicated bank credit facility described under the Financing section below. Cash flows from operating activities would be impaired by events that cause severe damage to our facilities and would require unplanned cash outlays for system restoration repairs. Under those circumstances, more reliance would be placed on our credit facilities for working capital requirements until a regulatory approved recovery mechanism or insurance proceeds are put in place.

Capital Requirements and Contractual Obligations

EPCOR's projected cash requirements for capital spending and investment in 2021 include $960 million to $1,160 million for investment in existing businesses and new business development.

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

($ millions)	2021	2022	2023	2024	2025	2026 and thereafter	Total
Distribution and Transmission segment capital projects[1]	$ 36	$ 5	$ 12	$ -	$ -	$ -	$ 53
Developer funded sanitary and stormwater capital projects[2]	26	9	-	-	-	-	35
Various sanitary and stormwater capital project service agreements[3]	82	62	33	-	-	-	177
U.S. Operations Johnson Utilities LLC asset purchase agreement[4]	134	-	-	6	-	-	140
U.S. Operations Water purchase and transportation of water agreements[5]	7	2	3	3	2	-	17
South Bruce Natural Gas Infrastructure project[6]	20	-	-	-	-	-	20
Renewable electricity credits purchase contract[7]	-	-	1	2	2	24	29
Design and build subcontract for electrical infrastructure related to the Trans Mountain pipeline expansion project[8]	28	-	-	-	-	-	28
Loans and borrowings[9]	365	135	132	33	34	2,889	3,588
Interest payments on loans and borrowings	140	133	129	127	125	1,908	2,562
Drainage transition cost compensation[10]	9	6	-	-	-	-	15
Contingent consideration[11]	2	5	45	-	-	-	52
Lease liability payments[12]	16	15	14	13	13	77	148
Other	23	10	6	6	3	3	51
Total contractual obligations	**$ 888**	**$ 382**	**$ 375**	**$ 190**	**$ 179**	**$ 4,901**	**$ 6,915**

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

2 The Company has commitments for several developer funded new sanitary and stormwater infrastructure projects throughout the city of Edmonton.

3 The Company has executed various non-cancellable purchase commitments related to sanitary and stormwater related Master Service Agreements for engineering services and construction contractors for various capital

projects, as well as, commitments related to rehabilitation and upgrade of the sanitary sewers in the city of Edmonton.

4 The Company entered into an asset purchase agreement with JU, which provides water treatment and distribution, and wastewater collection and treatment services to customers southeast of the greater metropolitan Phoenix area. For more details refer to Subsequent Event section of this MD&A.

5 Water Arizona maintains agreements with the Central Arizona Water Conservation District for the purchase and transportation of water. These agreements are for terms of 100 years expiring at the end of 2107. Under the terms of these agreements, the Company is committed for the amount of water ordered in the fall of each year to be purchased and transported the following year.

6 The Company has entered into a design and build agreement for construction of natural gas infrastructure to connect new customers in the Southern Bruce area. For more details refer to outlook section of this MD&A.

7 The Company has entered into a contract with Renewable Energy Systems Canada Inc. to acquire renewable electricity credits (RECs) sourced from a new wind farm in southern Alberta for a term of 20 years. The procurement of RECs is sized to match EPCOR's grid electricity consumption for all of its operations within the city of Edmonton, net of expected generation from a solar farm near E.L. Smith WTP. The construction of the new wind farm is proposed to be completed by the end of 2022.

8 The Company has entered into a subcontract with Kiewit and Western Pacific Enterprises, for design and build of the electricity infrastructure facilities related to the Trans Mountain pipeline expansion project. For more details refer to outlook section of this MD&A.

9 During the year, the Company issued $400 million of dual-tranche long-term unsecured public debentures, consisting of a $100 million three-year note with a coupon rate of 1.30% and an effective interest rate of 1.45%, and a $300 million 30-year note with a coupon rate of 2.90% and an effective interest rate of 2.95%. The interest is payable semi-annually and the principal is due at maturity for both the notes.

10 The Company has a commitment to compensate the City for stranded costs, including liabilities retained by the City, related to the transfer of Drainage operations to EPCOR by the City on September 1, 2017. Out of the total $75 million commitment, the Company has paid $60 million to the City, with the remaining $15 million due over the next two years.

11 On acquisition of the Blue Water and Cross County Water Supply Corporation assets, the Company committed to pay the previous owners of Blue Water a fee which is contingent on securing new long-term contracts for the supply of water. This fee is capped at US$32 million with no time limit for payment of the fee. In addition, on the acquisition of Hughes Gas Resources, Inc. (Hughes), the Company committed to pay a fee to the previous owners of Hughes based on the addition of new customer connections above a minimum of 600 incremental customer connections over the period of six years from the date of acquisition. The fee is capped at US$8 million.

The Company is reasonably certain that it will be required to settle the obligation, by way of cash payment, and has accordingly recognized the liability for contingent consideration in the consolidated statements of financial position.

12 The Company has entered into various agreements for lease of land and buildings (including office space). For additional information on lease liabilities refer the audited consolidated financial statements of EPCOR Utilities Inc. for the years ended December 31, 2020 and 2019.

As at February 18, 2021, there were three common shares of the Company outstanding, all of which are owned by the City. EPCOR's dividend to the City will remain at $171 million in 2021 and beyond until such time as the EPCOR Board recommends that it be changed.

In the normal course of business, EPCOR provides financial support and performance assurances, including guarantees, letters of credit and performance bonds, to third parties in respect of its subsidiaries. At December 31, 2020, total guarantees of $511 million (2019 - $442 million) have been issued to various third parties.

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) **December 31, 2020**	**Expiry**	**Total facilities**	**Letters of credit issued**	**Banking Commercial paper issued**	**Net amounts available**
Committed					
Syndicated bank credit facility[1]	November 2024	$ 600	$ -	$ 154	$ 446
Uncommitted					
Bank credit facilities[2]	No expiry	200	85	-	115
Bank credit facility	No expiry	25	-	-	25
Bank credit facility	November 2021	13	-	-	13
Total uncommitted		238	85	-	153
Total credit facilities		**$ 838**	**$ 85**	**$ 154**	**$ 599**

($ millions) **December 31, 2019**	**Expiry**	**Total facilities**	**Letters of credit issued**	**Banking Commercial paper issued**	**Net amounts available**
Committed					
Syndicated bank credit facility[1]	November 2024	$ 600	$ -	$ 22	$ 578
Uncommitted					
Bank credit facilities[2]	No expiry	200	99	-	101
Bank credit facility	No expiry	25	-	-	25
Bank credit facility	November 2020	13	-	-	13
Total uncommitted		238	99	-	139
Total credit facilities		**$ 838**	**$ 99**	**$ 22**	**$ 717**

1 The Company's $600 million committed syndicated bank credit facility is available and primarily used for backstopping EPCOR's commercial paper program. The committed syndicated bank credit facility 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 syndicated bank credit facility gives the Company the option each year to re-price and extend the terms of the facility by one or more years subject to agreement with the lending syndicate. The Company regularly monitors market conditions and may elect to enter into negotiations to extend the maturity dates. At December 31, 2020, commercial paper totaling $154 million was issued and outstanding (December 31, 2019 - $22 million).

2 The Company's uncommitted bank credit facility consists of five bilateral credit facilities (totaling $200 million) which are restricted to letters of credit. At December 31, 2020, letters of credit totaling $85 million have been

issued and outstanding (December 31, 2019 - $99 million) to meet the credit requirements of electricity market participants and to meet conditions of certain service agreements.

The Company has a Canadian base shelf prospectus under which it may raise up to $2 billion of debt with maturities of not less than one year. At December 31, 2020, the available amount remaining under this base shelf prospectus was $1.60 billion (December 31, 2019 - $2 billion). The Canadian base shelf prospectus expires in December 2021.

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, reduce capital expenditures and operating costs.

Credit Ratings

Years ended December 31,	**2020**	**2019**	**2018**
Credit ratings			
Standard & Poor's Rating Services:			
Long-term debt	A-	A-	A-
DBRS Limited:			
Short-term debt	R-1 (low)	R-1 (low)	R-1 (low)
Long-term debt	A (low)	A (low)	A (low)

In September 2020, DBRS confirmed its A (low) / stable senior unsecured debt and R-1 (low) / stable short-term debt and Standard & Poor's Ratings Services (S&P) confirmed its A- / stable long-term corporate credit and senior unsecured debt ratings for EPCOR. S&P reaffirmed its A- / stable rating in December 2020.

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 syndicated 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, 2020 and 2019 were as follows:

	Actual 2020	Financial Covenant 2020	Actual 2019	Financial Covenant 2019
Modified consolidated net tangible assets to consolidated net tangible assets[1]	100%	> or = 80%	100%	> or = 80%
Consolidated senior debt to consolidated capitalization ratio[2]	49%	< or = 75%	46%	< or = 75%
Interest coverage ratio[3]	4.75	> or = 1.75:1.00	4.95	> or = 1.75:1.00
Debt issued by subsidiaries to consolidated net tangible assets[4]	0.1%	< or = 12.5%	0.1%	< or = 12.5%

1 Modified consolidated net tangible assets to consolidated net tangible assets refers to the total assets of the material subsidiaries of the Company on a consolidated basis, less intangible assets expressed as a percentage of the total assets of the Company on a consolidated basis, less intangible assets.

2 Consolidated senior debt to consolidated capitalization refers to the Company's total unsubordinated long-term debt expressed as a percentage of total unsubordinated long-term debt plus shareholder's equity. This excludes subordinated debt which has a lower ranking for repayment.

3 Interest coverage ratio refers to the Company's ability to pay the interest that arises on outstanding debt. It is calculated by dividing the Company's operating income before interest income and depreciation and amortization expense by the Company's interest expense on loans and borrowings. The interest coverage ratio is not applicable if the Company has an investment grade credit rating.

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

OUTLOOK

In 2021, EPCOR will focus on ensuring continuity of services to our customers notwithstanding the COVID-19 outbreak, integration of Johnson Utilities, continuing electrical sub-station infrastructure construction related to the Trans Mountain pipeline expansion project, wastewater treatment plant expansion in the U.S. Operations segment, natural gas pipeline construction in the Southern Bruce region of Ontario, construction of a solar farm near E.L. Smith WTP, a renewable natural gas facility within Edmonton and continuing 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 to accommodate customer growth and lifecycle replacement of existing infrastructure primarily related to the Edmonton and U.S. based operations. We intend to expand our water and electricity commercial services activities and to invest in renewable energy generation, including solar and biogas facilities, which will be ancillary to our existing operations and will help us in improving our greenhouse gas footprint by reducing reliance on fossil fuel.

On November 5, 2019, voters in Bullhead City, a U.S. municipality where EPCOR owns a water utility system, passed Proposition 415, authorizing the local government to take steps to acquire EPCOR's Mohave and North Mohave water systems and operations using powers of eminent domain, which is the right of a government to expropriate private property for public use, with payment of fair and equitable compensation. The passage of Proposition 415 allows Bullhead City to pursue the purchase of EPCOR's assets through a legal process and failing agreement between the parties, ultimately allow the courts to decide the purchase price. EPCOR is pursuing all avenues to ensure that the Company receives fair and equitable compensation. On March 27, 2020, Bullhead City filed a suit seeking to expropriate the utility systems and seeking immediate possession of the utility systems. The hearing for the suit is anticipated in the first half of 2021, and the final outcome of the suit remains uncertain. The financial impact of this water utility system's operations is not considered material to EPCOR's operations or financial condition.

On March 31, 2020, EPCOR entered into a 20-year design, build, own, maintain and transfer (DBOMT) agreement with the Trans Mountain Pipeline L.P. and a corresponding design-build agreement with a partnership between Kiewit Energy Group and Western Pacific Enterprises. The scope of the DBOMT is to build and maintain electrical sub-station infrastructure along the Trans Mountain pipeline expansion project. As part of the DBOMT agreement, EPCOR acquired certain early work assets previously completed by EPCOR in respect to the electrical sub-station infrastructure from Trans Mountain Pipeline L.P. The Company started construction on the project pursuant to the DBOMT in April 2020 and is expected to be complete by the fourth quarter of 2021, with the maintenance period lasting 20 years.

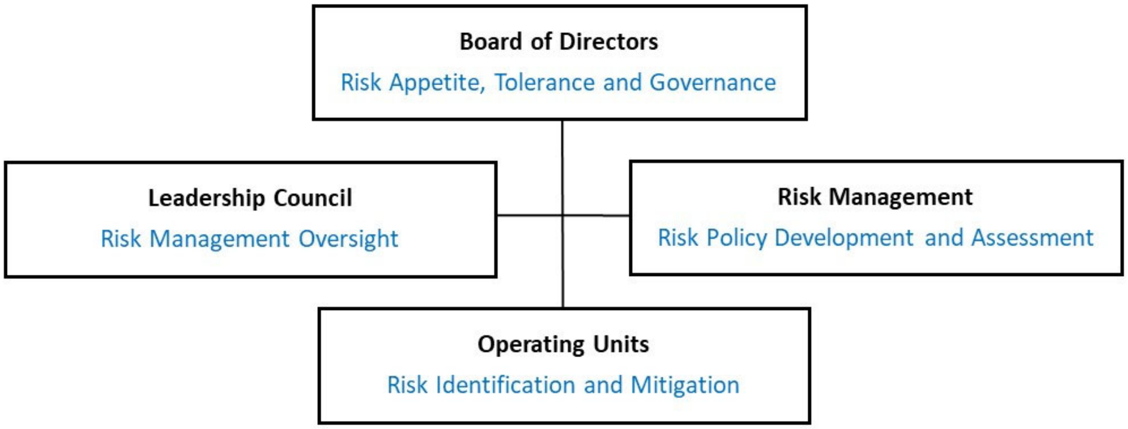
EPCOR is considering constructing a renewable natural gas facility within the footprint of its existing Gold Bar wastewater treatment facility. The proposed facility would reduce flaring and greenhouse gas emissions while creating a green energy product for re-sale. The proposed facility would be expected to produce 230,000 gigajoules of renewable natural gas per year of operation.

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 was connected to two industrial customers and one agricultural customer in the Municipality of Kincardine in August 2020. Connections to residential customers also commenced in October 2020. At December 31, 2020, 158km out of total 296km length of the pipeline has been installed. The remaining portion of the system is expected to be substantially complete by the end of 2021.

The Company is developing a new solar farm on EPCOR owned land near its existing E.L. Smith WTP. The solar farm, which is expected to have a peak generation capacity of 12 megawatts, will generate "green" energy to help power the E.L. Smith WTP. The project has received approval from the AUC. The project also required approval of a re-zoning application by the City. On September 1, 2020, Enoch Cree Nation and EPCOR signed a memorandum of understanding to signify our commitment to work together in the spirit of reconciliation and collaboration. On October 19, 2020, Edmonton City Council, after a public hearing, voted to rezone the property which would allow for the development of the solar farm. In December 2020, an opponent of the project, Edmonton River Valley Conservation Coalition, filed a judicial review of City Council's re-zoning approval alleging that the City erred in failing to apply the deemed essential test as set out in the North Saskatchewan River Valley Area Redevelopment Plan Bylaw. The review application is expected to be heard in the second or third quarter of 2021. EPCOR plans to start construction in early 2021.

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 general ERM framework and strategy, controls and procedures associated with mitigating EPCOR's top risks is provided by the Company's senior executive body, Leadership Council. The corporate Director, Audit and Risk Management is responsible for developing the framework and assessing risk at an enterprise level and monitors effectiveness of risk mitigating controls and conformance with risk management policies through the internal audit function. The Director, Audit and Risk Management provides the Board of Directors with an enterprise risk assessment quarterly. The Company's operating units, comprised of business units and shared service units, are responsible for identifying risks and developing and performing the activities associated with mitigating the risks in their respective operations. These risk management activities are integral aspects of the business units' and shared service units' operations.

EPCOR believes that risk management is a key component of the Company's culture and that we have cost-effective risk management practices in place. At the same time, EPCOR views risk management as an ongoing process and we continually review our risks and look for ways to enhance our risk management processes.

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

The Company's Ethics Policy includes procedures which provide for confidential disclosure of any wrong-doing relating to accounting, financial reporting and auditing matters. The policy prohibits retaliation against any person making a complaint. During 2020, no significant substantiated complaints with respect to accounting, financial reporting or auditing matters were received.

The Company's principal risks are outlined below in order of most to least potentially serious, as assessed at December 31, 2020. Since December 31, 2019, new risks have been added, relative rankings of certain risks have been revised and commentaries have been amended, reflecting the evolving nature of the Company's risk exposure.

Public Health Crisis

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

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

The extent of the Company's exposure to the effects of a public health crisis is dependent upon a number of factors including, but not limited to: the spread, mortality rate and duration of the outbreak, including the length of time any mitigating measures are to be applied as recommended by healthcare experts or required under government order; the time required to develop and administer antibiotics or vaccines, and their efficacy; impact on customers, capital markets and the economy; ability of the Company's key suppliers to maintain service continuity; government orders imposed on utilities preventing the cut-off of customers for non-payment during an outbreak or allowing customers to defer payment of their bills, for example; effectiveness of the Company's business continuity plan; and ability to mitigate the various risks.

As a result of the COVID-19 outbreak, the Company has implemented its business continuity plan designed to ensure the health and safety of its employees and continuity of services to customers. Due to increased cyber security threats from malicious actors exploiting the world's heightened vulnerability during the COVID-19 outbreak, the Company has implemented additional controls and precautionary measures to protect against cyber-attacks and prevent fraud.

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, income tax status or ability to renew permits and licenses as required.

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

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 a 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. The MCC Regulation will expire on June 30, 2021. In advance of the MCC Regulation's expiry, EPCOR is working with the Government of Alberta to extend the exemption past June 30, 2021, or to permanently exempt EPCOR from the MGA, as failing to have the exemption could impair EPCOR's ability to achieve its strategic objectives.

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

Regulatory

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

EPCOR's water treatment and distribution services and wastewater treatment services to customers within Edmonton are rate regulated by Edmonton City Council pursuant to the Edmonton water and wastewater Bylaw. EPCOR's sanitary and stormwater collection services to customers within Edmonton are rate regulated by Edmonton City Council pursuant to the Drainage Bylaw. Our ability to fully recover operating and capital costs and to earn a fair return is dependent upon obtaining regulatory approval of customer rates, achieving the performance targets prescribed in the bylaws, maintaining cost increases at or below inflation, managing operational risks and not exceeding approved capital additions. Rates for water sales to regional water commissions surrounding Edmonton are regulated by the AUC on a complaints-only basis. EPCOR sets the rates it charges to the regional water commissions to recover actual operating and capital costs plus earn a fair rate of return.

The AUC utilizes a PBR structure for electricity distribution utilities in Alberta. Under the PBR framework, which was revised effective January 1, 2018, EPCOR's annual electricity distribution rates are set by a formula that is generally equal to last year's rates plus an inflation factor less a productivity factor plus a provision for additional approved capital additions. Approval of certain additional capital projects may be applied for annually in a separate capital application, however, the criteria for qualifying projects is stricter than under the previous PBR framework. Our ability to recover the actual costs of providing service and to earn a fair return is dependent upon EPCOR's ability to manage cost increases at or below inflation, achieve the productivity factor and not exceed the approved capital additions, all as defined by the 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. The AUC sets rates intended also to permit the regulated Energy Services' RRO customer services business to recover forecast costs of providing service plus earn a fair return margin.

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.

Weather and Climate-change

Physical Risks

Acute

Normal and extreme weather can have a significant impact on our operations. Melting snow, freeze / thaw cycles and seasonal precipitation in the North Saskatchewan River watershed affect the quality of water entering our Edmonton water treatment plants and the resulting cost of purification. Similarly, extreme winter events including heavy precipitation and freezing rain can cause damage to electricity transmission and distribution equipment and wires, temporarily disrupting the reliable supply of power to customers and can cause unpredictability in the demand for power or natural gas.

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

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

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

Chronic

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. In Edmonton, urban flooding could also result in damage to the Company's reputation and increase exposure to legal action, where EPCOR is responsible for stormwater management. EPCOR has developed a long-term SIRP for Edmonton that will prioritize infrastructure investments to help mitigate the impact of urban flooding events.

Climate-change in the form of long-term shifts in weather patterns could result in drought conditions reducing source water supply, particularly in the desert region of the Southwestern U.S. where EPCOR's water sales comprise 10% of the Company's total revenues. In August 2019, under a Lower Basin Drought Contingency Plan involving Arizona, Nevada and California, the United States Bureau of Reclamation activated mandatory reductions in water deliveries in which Arizona's allocation of water to supply the Central Arizona Project, which delivers water by canal to Phoenix, Tucson and other areas, was reduced by 12%. In Arizona, a number of water management and supply augmentation strategies are employed to mitigate the risk of water supply shortage including enacting some very progressive policies to protect groundwater supplies. EPCOR actively manages its sources of water including replenishing reserves by injecting water into its wells when opportunity arises and working with regulators on rate rebalancing to mitigate the effects of declining consumption should it occur.

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

Transitional

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

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

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

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

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 operations performs continuous and rigorous quality control testing of water purification, consistent with government and industry standards, to prevent public health issues due to inadequately treated, stored or distributed drinking water. Failure to properly maintain fully functioning treatment and measurement systems could result in regulatory fines or the occurrence of public health issues.

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

Raw water quality is an important factor in the treatment of potable water. In Edmonton, we obtain source water from the North Saskatchewan River to treat and sell to customers in the greater Edmonton area. The North

Saskatchewan Watershed Alliance, among other things, aims to protect and improve North Saskatchewan River water quality by developing and sharing knowledge and facilitating workshops with members and interested parties.

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

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

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

Our operations have hazardous chemicals, high voltage electricity and natural gas transmission and distribution systems located in close proximity to populated areas and a significant incident could result in injury to the public, our employees or on-site suppliers.

We manage HSE risks through a management system and measure HSE 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, safety and environment practices within the industry. At the end of 2020, all of our Edmonton water, wastewater and electricity transmission and distribution operations were ISO 45001 registered.

New Business Integration

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

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

The Company has begun integration of the recently acquired Johnson Utilities LLC business into its U.S. operations. This is the largest business integration undertaken by the Company since the Drainage business was integrated a few years ago. Failing to successfully integrate new businesses could have long-term adverse effects on the Company, including reputational impact. The Company has successfully integrated all of its new businesses acquired in Canada and the Southwestern U.S over the past 10 years and applies the learnings from each one to ensure future business integrations are carefully planned and successfully executed.

Cybersecurity

We use several key information technology systems to support our core operations, including industrial control systems and electricity settlement and utility billing systems. These systems and the associated hardware are vulnerable to malfunction and unauthorized access including cyber-attacks, which could lead to loss or unauthorized disclosure of sensitive customer or EPCOR information, extortion or otherwise disrupt operations. We take measures to reduce the risk of malicious attack or failure of these systems including the data, hardware and network infrastructure on which the systems operate.

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

Reputational Damage and Stakeholder Activism

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

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

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

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 expense, financing expense, etc. If the business is unable to achieve its forecasts, due to lower than projected water volumes or higher operating expenses for example, 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 return on equity until the business' revised revenue requirement is approved by the regulator for the next test period, which could be up to several years in the future.

The Company's rate-regulated businesses monitor their actual performance against the various factors forecast in their approved revenue requirements and make operating decisions that results in cost reductions, where it is safe and prudent to do so in order to recover or offset any shortfall between actual and forecast revenues and / or expenses. It is not always possible to achieve the regulator-allowed return.

Significant Decline in the Alberta Economy

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

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

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

Billing Errors

The customer consumption data used to bill utility customers is voluminous and the sources and types of customer billing data are varied, requiring large, complex systems to process customer billings. In addition, the Company relies on third parties to provide customer meter data in certain circumstances and to produce bills for its U.S. customers. All of this contributes to the potential for billing errors caused by poor customer consumption data quality, billing system computational errors, incorrect customer rates being used or transactions and adjustments being applied incorrectly to customer accounts.

In November 2020, the Company's new main customer billing and information system went into service following approximately two years of development. While significant effort was expended during development and testing of the system to help ensure accuracy of the new system, billing errors could still occur. The Company applies numerous manual and automated controls to ensure the quality of customer billings including a routine to identify various exceptions in the electricity meter data used to produce customer bills.

Strategy Execution

The Company's growth strategy is dependent on the development, acquisition, contracted operation and other investment opportunities available in the marketplace to pursue which is affected by the willingness of parties to sell such assets and political and public sentiment regarding third party ownership or operation of utility assets. The growth strategy is also dependent on our ability to secure the opportunities, availability of capital and competitiveness of the Company's cost of capital.

Business development projects, including acquisitions, can take a relatively long period of time to execute, exposing such projects to event and external factor risks that may emerge and thereby alter project economics or completion.

For each new business development project, EPCOR seeks to ensure project success by addressing project risks, including events and external factors, as part of its due diligence process and project execution.

Business Interruption

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

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

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

Electricity Price and Volume

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

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

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

Failure to Attract, Retain or Develop Top Talent

Our ability to successfully operate and grow the business is dependent upon attracting, retaining and developing sufficient labor and management resources. As with most organizations, the Company is facing a demographic shift where a large number of employees are expected to retire over the next few years. Failure to secure sufficient qualified technical and leadership talent may impact EPCOR's operations or increase expenses.

We believe that we employ good human resource practices and in 2020, Mediacorp Canada Inc. again named EPCOR a top 75 employer in Alberta and one of Canada's Top Employers for Young People. We continue to monitor developments and review our human resource strategies so that we have an adequate supply of labor and management.

Project Delivery

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

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

Environmental

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

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

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

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

The primary sources of EPCOR's greenhouse gas emissions relate to powering and heating our treatment plants and building facilities, and operating our vehicle and equipment fleet. The Company is proactive in seeking ways to reduce its greenhouse gas footprint and in October 2020, final approval was received by EPCOR to construct a solar farm to power its E.L. Smith WTP in southwest Edmonton as an environmentally friendly alternative to using electricity generated from fossil fuels. Once complete, the project will reduce the greenhouse gas emissions generated by the Company's Edmonton operations by 20%.

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

To the best of our knowledge we comply, in all material respects, with the laws, regulations and operating approvals affecting our facilities, and we minimize the potential for environmental incidents by applying an environmental management system based on the ISO 14001 standard. The scope of the environmental management system encompasses the Company's environmental policy, objectives, processes, procedures, training and stewardship of our environmental responsibility. We require each facility to have an environmental emergency response plan. Each plant and facility is also subject to third party environmental audits to help ensure conformance with the EPCOR HSE management system and compliance with all regulations. The Edmonton waterworks system (including the Rossdale Water Treatment Plant (Rossdale) and E.L. Smith WTP) achieved EnviroVista Champion status as of June 2011. In 2020, EPCOR was again recognized as one of the Best 50 Corporate Citizens in Canada in relation to sustainability and environmental protection. At the end of 2020, our Regina wastewater, Britannia mine water run-off operations and Strathmore water and wastewater systems in addition to all of our Edmonton water, wastewater, sanitary and stormwater, transportation services, and electricity transmission and distribution operations, remain ISO 14001 registered.

Credit

Credit risk is the possible financial loss resulting from the inability of counterparties to satisfy their contractual obligations to EPCOR.

Exposures to credit risk in our rate-regulated and non-rated-regulated businesses are generally limited to amounts due from customers for goods and services provided but not yet paid for.

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

EPCOR's exposure to RRO and default customer credit risk is summarized below. The exposure represents the accounts receivable value for this portfolio, which is managed at the gross exposure level rather than by individual customer account.

($ millions) **December 31,**	**2020**	**2019**
RRO and default supply customers	$ 138	$ 152

The year-over-year decrease in exposure primarily relates to lower site counts and lower customer rates, partially offset by lower collection from customers primarily due to customer utility bill payment deferral program.

The economic slowdown together with measures by governments preventing utility companies from disconnecting customers for non-payment and allowing certain utility customers to defer payments of their utility bills for a limited period during the initial phase of COVID-19 pandemic, has increased the overdue receivables from customers, resulting in increased credit risk for the Company.

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

($ millions) **December 31,**	**2020**	**2019**
Unrated customers	$ 233	$ 196
Rated customers[1]	57	49

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

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

We manage credit risk and limit exposures through our credit policies and procedures. These include an established credit review, rating and monitoring process, specific terms and limits, appropriate allowance provisioning and use of credit mitigation strategies, including collateral arrangements. In view of the COVID-19, the Company reassessed the credit risk for all high value customers to ensure heightened credit risk for identified customers is mitigated through additional security or other collateral arrangements.

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

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. 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.

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.

Labor Disruption

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

Technological Change

Technological change could impact the Company directly or indirectly depending on the nature of the technological change.

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

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

The development of new technologies may outpace EPCOR's ability to react or adapt quickly enough to remain competitive or be able to exploit the technologies as new business opportunities. The Company is continually monitoring new technologies, dialoguing with industry peers and advisors about the potential effects of emerging technologies on the utility industry, and conducts studies on those developing or emerging technologies that could impact EPCOR specifically.

General Economic Conditions, Business Environment and Other Risks

In addition to the risks described above, the following factors could materially and adversely impact EPCOR's business, prospects, financial condition, results of operations or cash flows: fluctuations in interest rates; product supply and demand; general economic and business conditions beyond those specific to Alberta as outlined above; risks associated with existing and potential future lawsuits and other regulations; assessments and audits (including income tax) against EPCOR and its subsidiaries; 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.

The following table outlines our estimated sensitivity to specific risk factors as at December 31, 2020. Each sensitivity factor provides a range of outcomes assuming all other factors are held constant and current risk management strategies are in place. Under normal circumstances, such sensitivity factors will not be held constant but rather, will change at the same time as other factors are changing. In addition, the degree of sensitivity to each factor will change as the Company's mix of assets and operations subject to these factors changes.

Significant Cash Flow and Net Income Sensitivities

($ millions, except as otherwise noted)	Change	Annual cash flow	Annual net income
Related specifically to EPCOR's Alberta operations			
Increase in RRO customers	+2.0%	+1	+1
Decrease in RRO customers	-2.0%	-1	-1
Increase in Water Services segment water volumes	+5.0%	+16	+16
Decrease in Water Services segment water volumes	-5.0%	-16	-16
Related to EPCOR's operations outside of Alberta			
Increase in U.S. Operations segment water volumes	+5.0%	+4	+4
Decrease in U.S. Operations segment water volumes	-5.0%	-4	-4

Litigation Update

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

CONTROLS AND PROCEDURES

For purposes of certain Canadian securities regulations, EPCOR is a venture issuer. As such, it is exempt from certain of the requirements of National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings. The Chief Executive Officer and Chief Financial Officer have reviewed the annual information form, annual consolidated financial statements and annual MD&A, for the year ended December 31, 2020. Based on their knowledge and exercise of reasonable diligence, they have concluded that these documents fairly present in all material respects the financial condition, results of operations and cash flows of the Company for the periods presented.

FUTURE ACCOUNTING STANDARD CHANGES

A number of new standards, amendments to standards and interpretations have been issued by the IASB and the International Financial Reporting Interpretations Committee, the application of which is effective for periods beginning on or after January 1, 2021. 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 consolidated 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 consolidated financial statements.

Electricity Revenues, Costs and Unbilled Consumption

Due to the time lag between customer electricity consumption and receipt of final billing consumption information from the load settlement agents, the Company must use estimates for determining the amount of electricity consumed and the distribution services provided to customers but not yet billed. These estimates affect accrued revenues and accrued electricity costs of the Energy Services segment and accrued revenues of the Distribution and Transmission segment. There are a number of variables and judgments required in the computation of these significant estimates, and the underlying electricity settlement processes within EPCOR and the Alberta electric systems are complex. Such variables and judgments include the number of unbilled sites, the amount of and rate classification of the unbilled electricity consumed and the amount of electricity distributed to customers. Owing to the factors above and the statutory delays in final load settlement determinations and information, adjustments to previous estimates could be material. Estimates for unbilled electricity consumption and distribution services provided to customers averaged approximately $48 million at the end of each month in 2020 (2019 - $58 million). These estimates varied from $41 million to $56 million (2019 - $46 million to $67 million). Adjustments of estimated revenues to actual billings were $1 million (2019 - $nil).

Fair Values

We are required to estimate the fair value of certain assets or obligations for determining the valuation of certain financial instruments, asset impairments, asset retirement obligations and purchase price allocations for business combinations, and for determining values for certain disclosures. Significant judgment is applied in the determination of fair values including the choice of discount rates, estimating future cash flows, and determining goodwill. Following are the descriptions of the key fair value methodologies relevant for 2020.

Fair values of financial instruments are based on quoted market prices when these instruments are traded in active markets. In illiquid or inactive markets, the Company uses appropriate price modeling to estimate fair value. Fair values determined using valuation models require the use of assumptions concerning the amounts and timing of future cash flows and discount rates.

The Company reviews the valuation of long-lived assets subject to amortization when events or changes in circumstances may indicate or cause a long-lived asset's carrying amount to exceed the total discounted future cash flows expected from its use and eventual disposition. An impairment loss, if any, will be recorded as the excess of the carrying amount of the asset over its fair value, measured by either market value, if available, or estimated by calculating the present value of expected future cash flows related to the asset.

Estimates of fair value for long-lived asset impairments are mainly based on depreciable replacement cost or discounted cash flow techniques employing estimated future cash flows based on a number of assumptions, including the selection of an appropriate discount rate. The cash flow estimates will vary with the circumstances of the particular assets or reporting unit and will primarily be based on the lives of the assets, revenues and expenses, including inflation, and required capital expenditures.

Income Taxes

EPCOR follows the asset and liability method of accounting for income taxes. Income taxes are determined based on estimates of our current taxes and estimates of deferred taxes resulting from temporary differences between the carrying values of assets and liabilities in the financial statements and their tax values. Deferred tax assets are assessed and significant judgment is applied to determine the probability that they will be recovered from future taxable income. For example, in estimating future taxable income, judgment is applied in determining the Company's most likely course of action and the associated revenues and expenses. To the extent recovery is not probable a deferred tax asset is not recognized. Estimates of the provision for income taxes and deferred tax assets and liabilities might vary from actual amounts incurred.

Estimated fair values and useful lives are used in determining potential impairments for each long-lived asset, which will vary with each asset and market conditions at the particular time. Similarly, income taxes will vary with taxable income and, under certain conditions, with fair values of assets and liabilities. Accordingly, it is not possible to provide a reasonable quantification of the range of these estimates that would be meaningful to readers.

Impact of Current Market Conditions on Estimates

Although the current condition of the economy has not impacted our methods of estimating accounting values, it has impacted the inputs in those determinations and the resulting values. Future cash flow estimates for assessing the value-in-use of long-lived assets (cash generating units or CGUs) for impairment were updated to reflect any increased uncertainties of recoverability. The assessments did not result in any impairment losses because a large portion of the Company's operations within various CGU's are subject to rate-regulation. Our valuation models for estimating the value-in-use for various CGU's 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 (ECL) allowance is based on a provision matrix which uses the Company's historical credit loss experience and current economic conditions (including forward looking information) for accounts receivables to estimate the ECL. The Company, in view of the COVID-19 pandemic and related economic impacts including the temporary deferral of customer payments, has adjusted the ECL provision matrix to account for a higher level of potential customer defaults. This adjustment in ECL provision matrix, as a result of the COVID-19 and related impacts, has resulted in an additional provision for ECL of $11 million for the year ended December 31, 2020.

OTHER COMPREHENSIVE INCOME

For the three and twelve months ended December 31, 2020 and 2019, the Company's transactions in other comprehensive income included the following:

($ millions)	Three months ended December 31,		Twelve months ended December 31,	
	2020	**2019**	**2020**	**2019**
Re-measurement of net defined benefit plans	$ (2)	$ (10)	$ (2)	$ (10)
Loss on cash flow hedges	-	-	-	(9)
Foreign exchange gain on U.S. denominated debt classified as hedge on foreign subsidiaries[1]	17	7	7	19
Unrealized loss on foreign currency translation	(49)	(18)	(23)	(47)
Other comprehensive loss	**$ (34)**	**$ (21)**	**$ (18)**	**$ (47)**

1. The Company designates a portion 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.

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 printing services and supplies, mobile equipment services, public works and various other services pursuant to service agreements. Sales between the Company and the City are in the normal course of operations, and are generally based on normal commercial rates, or as agreed to by the parties.

For further information on related party balances and transactions refer to related party balances and transactions (note 25) of the audited consolidated financial statements for the years ended December 31, 2020 and 2019.

QUARTERLY RESULTS

($ millions)	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Revenues	$ 512	$ 518	$ 471	$ 487
Expenses	408	383	365	403
Operating income	**104**	**135**	**106**	**84**
Finance expenses	(35)	(35)	(33)	(34)
Income tax expense	(5)	(8)	(3)	-
Net income[1]	**$ 64**	**$ 92**	**$ 70**	**$ 50**

($ millions)	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
Revenues	$ 474	$ 493	$ 439	$ 458
Expenses	385	376	347	365
Operating income	**89**	**117**	**92**	**93**
Finance expenses	(27)	(34)	(32)	(32)
Income tax expense[2]	(3)	(7)	(20)	(5)
Net income[1]	**$ 59**	**$ 76**	**$ 40**	**$ 56**

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 income tax expense during the quarter ended June 30, 2019, was primarily due to a decrease in the Alberta corporate income tax rate pursuant to enactment of Bill 3.

Fourth Quarter Business Segment Information

Three months ended December 31, 2020

	Water Services	Distribution & Transmission	Energy Services	U.S. Operations	Other	Intersegment Elimination	Consolidated
External revenues	$ 170	$ 127	$ 102	$ 71	$ 42	$ -	$ 512
Inter-segment revenue	-	4	5	-	-	(9)	-
Total revenues	170	131	107	71	42	(9)	512
Energy purchases and system access fees	-	-	79	1	13	-	93
Other raw materials and operating charges	24	14	(1)	15	24	(2)	74
Staff costs and employee benefits expenses	38	20	10	10	12	(2)	88
Depreciation and amortization	46	23	1	17	9	-	96
Franchise fees and property taxes	9	21	-	2	-	-	32
Other administrative expenses	8	3	11	5	3	(5)	25
Operating expenses	125	81	100	50	61	(9)	408
Operating income (loss) before corporate charges	45	50	7	21	(19)	-	104
Corporate income (charges)	(7)	(5)	(4)	(1)	17	-	-
Operating income (loss)	38	45	3	20	(2)	-	104
Finance recoveries (expenses)	(19)	(15)	(1)	(11)	11	-	(35)
Income tax expense	(1)	-	-	(3)	(1)	-	(5)
Net income	$ 18	$ 30	$ 2	$ 6	$ 8	$ -	$ 64
Capital additions	$ 132	$ 60	$ 53	$ 32	$ 37	$ -	$ 314

Three months ended December 31, 2019							
	Water Services	Distribution & Transmission	Energy Services	U.S. Operations	Other	Intersegment Elimination	Consolidated
External revenues	$ 162	$ 107	$ 125	$ 61	$ 19	$ -	$ 474
Inter-segment revenue	-	3	4	-	-	(7)	-
Total revenues	162	110	129	61	19	(7)	474
Energy purchases and system access fees	-	-	94	1	13	-	108
Other raw materials and operating charges	23	15	-	16	2	(1)	55
Staff costs and employee benefits expenses	32	18	8	8	12	(2)	76
Depreciation and amortization	41	24	3	15	6	-	89
Franchise fees and property taxes	8	20	-	2	1	-	31
Other administrative expenses	9	4	7	5	5	(4)	26
Operating expenses	113	81	112	47	39	(7)	385
Operating income (loss) before corporate charges	49	29	17	14	(20)	-	89
Corporate income (charges)	(9)	(5)	(3)	(1)	18	-	-
Operating income (loss)	40	24	14	13	(2)	-	89
Finance recoveries (expenses)	(19)	(14)	-	(6)	12	-	(27)
Income tax expense	-	-	-	-	(3)	-	(3)
Net income	$ 21	$ 10	$ 14	$ 7	$ 7	$ -	$ 59
Capital additions	$ 118	$ 79	$ -	$ 44	$ 35	$ -	$ 276

FORWARD - LOOKING INFORMATION

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

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

Forward-looking Information	Material Factors or Assumptions	Risk Factors
The Company expects to have sufficient liquidity to finance its plans and fund its obligations, including current liabilities in excess of current assets, for next twelve months.	EPCOR is able to generate the expected cash flow from operations and various means of funding remain available to the Company.	EPCOR’s operations do not generate the expected level of cash flow and / or circumstances arise, including the COVID-19 outbreak, limiting or restricting the Company’s ability to access funds through the various means otherwise available.
EPCOR’s projected cash requirements for capital spending and investment for 2021 include $960 million to $1,160 million for investment in existing businesses and new business development.	EPCOR is able to complete its 2021 capital expenditure program on time and on budget and no material unplanned business or asset acquisitions are closed in the year.	EPCOR is successful in closing a material, unplanned acquisition or unforeseen circumstances including the COVID-19 outbreak related restrictions result in construction or acquisition delays.
EPCOR’s projected cash requirements for 2021 include $171 million for common share dividends.	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.

Material forward-looking information in Annual Information Form and other communications of the Company, including related material factors or assumptions and risk factors, are noted in the table below:

Forward-looking Information	Material Factors or Assumptions	Risk Factors
CORe includes projects of $219 million to be completed by 2026. This includes $199 million in capital projects and $20 million in operating expenses over the period of 2019-2026.	The capital spending on CORe is approved by the regulator in the forthcoming PBR. EPCOR is able to initiate and complete the project on time and within approved cost.	The Company is unable to complete the project within time and approved costs resulting in higher financing requirements.

Forward-looking Information	Material Factors or Assumptions	Risk Factors
To improve infrastructure resilience and continuity of operations at Rossdale and E.L. Smith WTP, EPCOR expects total infrastructure investment related to flood mitigation, net of $11 million federal and provincial grant funding already approved, of $26 million through 2027, with commencement of construction in 2022.	EPCOR is able to initiate the projects on time and within the approved cost. Various means of funding including the federal and provincial grants are available to complete the project.	Flood resiliency projects are in early stages of development and timing and cost of the projects may change. The federal and provincial governments may change the quantum and / or criteria for grants resulting in a different level of funding thereby exposing the Company to higher financing requirements.

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

Material 2020 Objectives Previously Disclosed	Actual Result	Explanation of Material Differences from Objectives
EPCOR's projected cash requirements for capital spending and investment projects for 2020 include $825 million to $1,025 million for investment in existing businesses and new business development.	$924 million capital expenditures and $14 million business acquisitions and investment	Within the range
EPCOR's projected cash requirements for 2020 include $171 million for common share dividends.	$171 million	No change

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

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

GLOSSARY

ACC means Arizona Corporation Commission	**Hughes** means Hughes Gas Resources, Inc.
Adjusted EBITDA earnings before finance expenses, income tax recovery (expense), depreciation and amortization, changes in the fair value of derivative financial instruments and transmission system access service charge net collections	**IFRS** means International Financial Reporting Standard(s)
AESO means Alberta Electric System Operator	**IASB** means International Accounting Standards Board
AUC means the Alberta Utilities Commission	**Johnson Utilities** means Johnson Utilities LLC
Brooke means Brooke Water LLC	**MCC** means Municipally Controlled Corporation
CGU means cash generating unit	**MCC Regulations** means Municipally Controlled Corporations Regulation
CORe means Corrosion and Odour Reduction Strategy	**MGA** means *Bill 21: the Modernized Municipal Government Act*
COVID-19 means novel coronavirus	**NRAs** means non-routine adjustments
DBOMT means design, build, own, maintain and transfer	**PBR** means Performance Based Regulation
Drainage means drainage utility services within the city of Edmonton	**REC's** means renewable electricity credits
Drainage Bylaw means Bylaw 18100 EPCOR Drainage Services Bylaw	**ROE** means return on equity
E.L. Smith WTP means E.L. Smith Water Treatment Plant	**Rossdale** means Rossdale Water Treatment Plant
ECL means expect credit loss	**ROU** means right-of-use
Edmonton water and wastewater Bylaw means Bylaw 17698 EPCOR Water Services and Wastewater Treatment Bylaw	**RRO** means Regulated Rate Option
EPEA means Environmental Protection and Enhancement Act	**RRT** means regulated rate tariff
EPSP means Energy Price Setting Plan	**SAIDI** means System Average Interruption Duration Index
ERM means Enterprise Risk Management	**S&P** means Standard & Poor's Ratings Services

ESG means Environmental, Social and Corporate Governance	**SIRP** means Stormwater Integrated Resource Plan
GCOC means General Cost of Capital	**U.S. EPA** means U.S. Environmental Protection Agency
Gold Bar means Gold Bar Wastewater Treatment Facility	**Vista Ridge** means Vista Ridge LLC
HSE means Health, Safety and Environment	**the City** means The City of Edmonton

ADDITIONAL INFORMATION

Additional information relating to EPCOR, including the Company's 2020 Annual Information Form, is available on SEDAR at www.sedar.com.