March 24, 2016

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, Ontario M4P 1E4

Dear Ms. Walli:

Re: The Municipality of Kincardine

Attached is an Application by EPCOR Southern Bruce Gas Inc. for Orders of the Board with respect to a Franchise Agreement with and Certificate of Public Convenience regarding the Municipality of Kincardine.

The proposed Franchise Agreement is in the form of the 2000 Model Franchise Agreement with amendments agreed to between EPCOR and the Municipality.

Please do not hesitate to contact me should you have any questions. I look forward to receipt of your instructions.

Yours truly,

[*Original signed by Bruce Brandell*]

Bruce Brandell
Director, Commercial Services
bbrandell@epcor.com
(780) 412-3720

Encls.

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Municipal Franchises Act*, R.S.O. 1990, c. M.55, as amended; and in particular, Sections 8 and 9 thereof;

AND IN THE MATTER OF an Application by EPCOR Southern Bruce Gas Inc. for an Order approving the terms and conditions upon which, and the period for which, the Corporation of the Municipality of Kincardine is, by by-law, to grant to EPCOR Utilities Inc., the ultimate parent company of EPCOR Southern Bruce Gas Inc., the right to construct and operate works for the distribution, transmission and storage of natural gas and the right to extend and add to the works in the Municipality of Kincardine;

AND IN THE MATTER OF an Application by EPCOR Southern Bruce Gas Inc. for an Order directing and declaring that the assent of the municipal electors of the Municipality of Kincardine to the by-law is not necessary;

AND IN THE MATTER OF an Application by EPCOR Southern Bruce Gas Inc. for an Order issuing a Certificate of Public Convenience and Necessity to construct works and supply gas to the Municipality of Kincardine.

APPLICATION

The Applicant

1. EPCOR Southern Bruce Gas Inc. is a corporation incorporated under the laws of the Province of Ontario and is an indirect wholly owned subsidiary of EPCOR Utilities Inc. EPCOR Utilities Inc. is a corporation incorporated under the laws of the Province of Alberta and wholly owned by the City of Edmonton, with its head office at the City of Edmonton, in the Province of Alberta.

2. EPCOR Utilities Inc., through wholly-owned subsidiaries (collectively, "**EPCOR**"), builds, owns and operates electric transmission and distribution systems, water and wastewater treatment facilities and infrastructure, and provides related energy services in several jurisdictions in Canada and the United States. Schedule "A" highlights the locations of major EPCOR operations.

3. EPCOR's electric distribution and transmission businesses own and operate high voltage substations and transmission lines and cables that are primarily situated within and around Edmonton and form part of the Alberta Interconnected Electric System ("**AIES**") power grid. Through these facilities, EPCOR provides transmission services to the Alberta Electric System Operator ("**AESO**"), the independent not-for-profit entity that is

charged with, among other things, ensuring the efficient operation and expansion of the Alberta transmission grid. EPCOR owns and operates 72 kV, 138 kV, 240 kV and 500 kV lines and cables, as well as 30 transmission substations that are primarily situated within Edmonton. The transmission substations form part of the AIES that feeds distribution delivery points primarily within Edmonton. EPCOR operates approximately 257 circuit kilometers of aerial transmission lines and underground transmission cables. EPCOR also owns and operates aerial and underground distribution lines and related facilities for the distribution of power to customers within its distribution service area comprised of the City of Edmonton. EPCOR distributes electrical energy to customers in Edmonton through five distribution substations, 286 distribution feeders, approximately 5,540 circuit kilometers of primary distribution lines, and advanced metering infrastructure (i.e., “Smart Meters”). In 2015, EPCOR distributed approximately 13% of Alberta’s provincial energy consumption to approximately 343,000 residential and 36,000 commercial and industrial customer sites in Edmonton.

4. EPCOR’s energy services business procures electricity for its Regulated Rate Option and default supply customers in Alberta and provides customer care and billing services to its customers, and certain customer care and billing services to affiliates and third parties. The energy services business also sells electricity and natural gas to Alberta consumers under competitive contracts through its Encor brand. EPCOR provides billing and customer care services to approximately 640,000 energy and natural gas customer sites and 265,000 water customer sites in Alberta.

5. EPCOR’s water business provides water purification, water distribution, wastewater treatment and related management services within the City of Edmonton and several other communities in Western Canada and the Southwestern United States, and provides similar services and water and wastewater plant financing and construction services to industrial customers in Western Canada. Within the City of Edmonton, EPCOR’s system includes approximately 3,900 km of distribution and transmission mains, 19,800 hydrants, 62,000 valves and 12 reservoir sites. In Edmonton and surrounding areas, EPCOR services a population of over 800,000 and delivers bulk water to over 65 communities and counties. EPCOR owns 13 and operates 42 water or wastewater treatment / distribution facilities outside Edmonton in Alberta, British Columbia and Saskatchewan. In addition, EPCOR provides water purification and distribution and wastewater collection and treatment services in the Southwestern United States where it has over 200,000 customer connections within 22 communities and seven counties.

6. EPCOR is a public issuer of debt with current credit ratings of A- (S&P) and A (low) stable (DBRS). In fiscal 2015, EPCOR’s consolidated revenue was $2.018 billion and its consolidated operating income was $365 million. Presently EPCOR has credit facilities totaling $575 million of which $300 million is available for borrowing. EPCOR also has access to long-term debt through the Canadian public debt market where it has an existing $1-billion, short form base shelf prospectus. In addition to the above financing capacity, EPCOR holds approximately 9.4 million shares of Capital Power Corporation (TSX: CPX) with a current market value of approximately $167 million. EPCOR has publicly stated its intention to sell its interest in CPX over time as circumstances and needs dictate, which could include funding for the system build out.

7. In each of its major business units (electricity distribution and transmission; water; and energy services), EPCOR's customers number in the hundreds of thousands and enjoy service quality and reliability well in excess of regulatory requirements and industry standards. EPCOR has been recognized for more than a decade as one of Alberta's and Canada's best employers and corporate citizens, and intends to bring its expertise and reputation for quality to the Ontario market. Details of EPCOR's corporate profile, major operations and corporate finances are provided in EPCOR Utilities Inc.'s 2015 Annual Information Form, a copy of which is attached as Schedule "B".

8. EPCOR and its predecessors, through their subsidiaries, have provided reliable utility service for over 120 years, consistently meeting and exceeding service quality metrics in the areas served. By way of example, in 2015, the System Average Interruption Duration Index ("**SAIDI**") for EPCOR's electricity distribution and transmission businesses (EPCOR Distribution & Transmission Inc., or "**EDTI**") was 0.91 hours – well below the Alberta Utilities Commission's ("**AUC**") maximum allowed SAIDI of 1.15 hours. EDTI also had 2015 Customer Satisfaction Index ("**CSI**") scores of 87.5% (customer initiated contact), well above the AUC benchmark of 75.0% and has an overall customer satisfaction rating of 93%. In 2015, EPCOR's Water business repaired water main breaks within 24 hours 97.4% of the time, exceeding its target of 93.7%.

9. As at December 31, 2015, EPCOR employed 2,795 full-time, part-time, temporary and casual employees. Further, EPCOR has a strong working relationship with its five labour unions; four based in Alberta and one in Saskatchewan. As of December 31, 2015, the five labour unions represented over 1,770 EPCOR employees. For more than a decade, EPCOR has been on multiple lists ranking best employers and corporate citizens. These include Canada's Top Employers for Young People, Alberta's Top 70 Employers, Best Place to Work (EPCOR Water USA), Government of Alberta Envirovista Program and Public-Private Partnership (P3) awards, and the Best 50 Corporate Citizens (2014). EPCOR employees volunteer thousands of hours of their time each year in their communities both on their own as well as through EPCOR organized initiatives with its Community Partners. EPCOR further supports its employee community volunteer efforts with Helping Hands Grants to the charitable organizations that its employees are directly involved with. EPCOR and its employees also raise funds through an annual United Way campaign and EPCOR further supports the communities it works in through its education focused corporate giving program.

10. EPCOR is subject to federal, provincial, state and municipal operational, rates, environmental and safety laws, regulations and guidelines concerning its businesses. EPCOR has developed positive, ongoing working relationships with a number of regulators and agencies including the AUC, the AESO, the BC Water Comptroller, the Arizona Corporate Commissions and the New Mexico Public Regulation Commission. EPCOR also works closely with a number of government health and safety agencies including Health Canada, Alberta Environment and Parks Alberta, multiple Occupation Health and Safety agencies, Water Security Agency (Saskatchewan), and Work Safe BC. Many of EPCOR's facilities are ISO 14001 and OHSAS 18001 certified.

11. EPCOR manages over $6.0 billion in assets and an annual capital program of approximately $450 million. EPCOR and its design-build partners have also successfully designed, built, owned and operated 15 water/wastewater projects in Western Canada, outside of Edmonton. This achievement is the direct result of EPCOR's ability to evaluate projects efficiently and accurately, and to add value to benefit its clients over the entire project life cycle. EPCOR's construction experience includes installing systems in geographies and terrains with complex geological conditions including rocky formations in British Columbia to desert sands of Arizona. EPCOR has experience with aerial as well as underground installations of linear assets, from extreme hot to extreme cold seasonal conditions and specific experience with horizontal directional drilling installations along highways and under rivers, consistently demonstrating sensitivity towards the environment. A recent installation included crossing under multiple water ways within an environmentally sensitive provincial park. EPCOR also has experience in constructing linear infrastructure in mature urban areas where it has demonstrated social sensitivity with respect to ongoing access for homeowners and restoration of property to original or better condition.

12. EPCOR employs program and project management methodologies based on industry best practices such as from the Project Management Institute. These program elements include Defining, Planning, Executing, Monitoring and Controlling, and Closing. Project scope, schedule, resources, budget, and risk are addressed in all of these elements. Key aspects that have driven EPCOR's project management success include: rigorous executive oversight; and an internal independent Project Management Office that sets standards for and then monitors project progress, creates standard templates for project scoping and reporting to ensure consistency, undertakes ongoing risk assessment and mitigation, and holds regular lessons learned workshops to incorporate continuous improvement into EPCOR's processes. As a utility operator, EPCOR carefully considers factors such as operability, maintainability, and life-cycle asset management costs in carrying out each project. All projects focus on safety as a priority in the design, construction and maintenance of all capital projects, with safety performance being held to the highest standard.

The Franchise Agreement

13. EPCOR has recently been selected by the Ontario Municipalities of Kincardine and Arran-Elderslie, and the Township of Huron-Kinloss to provide natural gas service in those communities. Concurrently with this Application, EPCOR has filed similar applications with respect to the Municipality of Arran-Elderslie and the Township of Huron-Kinloss.

14. The Corporation of the Municipality of Kincardine ("**Kincardine**" or the "**Municipality**") is a municipal corporation incorporated under the laws of the Province of Ontario. Attached as Schedule "C" is a map showing the location of the Municipality.

15. EPCOR applied to the Council of Kincardine for a franchise permitting EPCOR to construct and operate works for the distribution and transmission of natural gas in the Municipality. On February 18, 2016, the Council of Kincardine gave approval to the

form of a Franchise Agreement in favour of EPCOR and authorized EPCOR to apply to the Ontario Energy Board (the "**Board**") for approval of the terms and conditions upon which and the period for which the Franchise Agreement is proposed to be granted.

16. Kincardine and EPCOR negotiated a form of Franchise Agreement in favour of EPCOR, which is for a term of 20 years and which differs from the 2000 Model Franchise Agreement as follows:

    (a) Section 4 of Part II of the Franchise Agreement contains termination provisions. If EPCOR fails to meet certain milestone dates at various points throughout the regulatory applications and construction of the gas system, the Municipality has termination rights under the Franchise Agreement. If EPCOR is able to meet the milestone dates contained in Section 4 of Part II of the Franchise Agreement, the rights granted under the Franchise Agreement shall be for a 20 year term. The rationale for the additional termination provisions is to ensure that EPCOR is actively pursuing the regulatory applications for the gas system, the construction of the gas system and the operation of the gas system in a timely manner.

    (b) Section 5 of Part III of the Franchise Agreement provides for the payment of an annual fee by EPCOR to the Municipality following the commencement of operation of the gas system. The rationale for the annual fee is to allow the Municipality to earn revenue from the granting of the franchise permitting EPCOR to construct and operate works for the distribution and transmission of natural gas in the Municipality.

    (c) Section 6 of Part III of the Franchise Agreement provides for a rebate of the Municipality's portion of any property or similar taxes payable by EPCOR pursuant to the *Ontario Assessment Act* for the first ten years of operation of the gas system. The rationale for this provision is to allow EPCOR to offer a lower tariff, thereby encouraging customer conversion. This tax rebate also demonstrates the Municipality's commitment to bringing natural gas service to the area by sharing the financial cost of doing so.

    (d) Section 20 of Part IV provides for the assignment of the Franchise Agreement to a wholly or majority owned subsidiary of EPCOR. This provision was introduced to allow EPCOR Utilities Inc. to assign the Franchise Agreement to a subsidiary to carry out the construction and operation of the gas system in the Municipality.

17. Attached as Schedule "D" is the proposed Franchise Agreement. The description of the area to be served by EPCOR Southern Bruce Gas Inc. is the entire geographical area of the Municipality. On February 22, 2016, EPCOR also entered into Franchise Agreements with the adjacent Municipality of Arran-Elderslie and the Township of Huron-Kinloss.

18. Attached as Schedule "E" is a copy of the Resolution of the Council of the Municipality approving the form of the proposed Franchise Agreement and the draft by-law

implementing it. The Resolution also confirms the Municipality's understanding that the Board may declare and direct that the assent of the municipal electors is not necessary.

19. In accordance with section 20 of Part IV of the Franchise Agreement, on March 23, 2016 EPCOR Utilities Inc. and EPCOR Southern Bruce Gas Inc. entered into an assignment agreement under which EPCOR Southern Bruce Gas Inc. was assigned the Franchise Agreement. In connection with such assignment, EPCOR Southern Bruce Gas Inc. provided a guarantee in favour of the Municipality dated March 23, 2016. The Assignment Agreement and Guarantee are attached as Schedule "F".

The Proposed Developments and the CPCN

20. EPCOR proposes to provide natural gas service in accordance with the wishes of Kincardine, as expressed in the proposed Franchise Agreement. EPCOR is applying for a Certificate of Public Convenience and Necessity for the area to be served by EPCOR, which includes all of the geographic area of the Municipality. A more detailed map of the Municipality is attached as Schedule "G". The adjacent Municipality of Arran-Elderslie and the Township of Huron-Kinloss have also authorized EPCOR to seek the Board's approval for their respective franchises and issue Certificates of Public Convenience and Necessity.

21. EPCOR has been undertaking, and will continue to undertake the development of the facilities necessary to provide service in accordance with the franchise agreements that EPCOR is applying for in the Municipalities of Arran-Elderslie and Kincardine, and the Township of Huron-Kinloss in four major phases, including the approval / regulatory phase and three construction phases. The approval / regulatory phase started in 2015 with the award of the franchise agreement to EPCOR. EPCOR will be submitting the necessary Board facilities and other applications, determining the funding available and obtaining large customer commitments during 2016 and 2017. The first construction phase will start in 2017 and will include construction of a lateral distribution line from the Dornoch Meter Station to Kincardine. In addition, local distribution systems will be constructed in the Bruce Energy Center, Tiverton and Kincardine. Phase II, starting in 2019, will include construction of local distribution systems in Paisley and Chesley. Phase III, starting in 2020, will include extension of the lateral distribution line from Kincardine to Lucknow and construction of local distribution systems in Lurgan Beach, Point Clark, Ripley, and Lucknow. Details of EPCOR's current plans regarding the major areas included in the distribution network are included in the map as appended to Schedule "H".

22. EPCOR consistently applies a proven approach to the development and operation of utility infrastructure, which approach it intends to apply in developing the facilities necessary to serve its Ontario franchise areas. In Ontario, and with respect to the Municipality specifically, EPCOR's approach includes creating a team of internal and external experts in pipeline engineering, design and construction; customer conversion; natural gas supply; tariff design; environmental impact mitigation; asset management; operations and maintenance, including emergency planning; customer care; and overall commercial utility management. EPCOR has a history of consistently staffing its utilities

with personnel of the highest caliber, and it intends to continue to do so in respect of its Ontario operations. Internally, EPCOR has experienced major project management personnel who will be involved in its Ontario infrastructure development. EPCOR will draw on its extensive project development experience to ensure that the necessary infrastructure is constructed safely, on time, on budget and with minimal disruption to stakeholders.

23. In supporting its commitment to becoming a natural gas supplier in Ontario, EPCOR has also committed over $2.0 million to date on external experts that have assisted in pipeline development activities including design, routing, stakeholder engagement, and gas supply and demand analysis for EPCOR's proposed franchise areas; modeled preliminary tariffs based on costing to date and designed to encourage customer conversion; and made substantial progress on the regulatory work necessary to become the natural gas supplier in Kincardine and the other proposed franchise areas.

24. EPCOR has a long history of creating organizational efficiencies to reduce customer costs, and proposes to employ the same techniques in Ontario for the benefit of its customers here. One significant source of organizational efficiency stems from EPCOR's centralization of a number of corporate services for its business units, which reduces overhead and creates economies of scale which EPCOR passes on to its utility customers. EPCOR's Ontario operations and customers will benefit from this centralized model. Use of affiliate provided services is always aligned with the relevant regulatory framework, including relevant affiliate relationship codes. It must be noted that EPCOR currently delivers on a retail basis energy and water infrastructure services in three Canadian provinces and two states in the United States with seamless efficiency.

25. The timeline discussed with Kincardine during the negotiation of the franchise agreement contemplates EPCOR starting construction in 2017 and completing all three phases of the build by 2020. EPCOR has already retained a design/build contractor and an environmental consultant for the supply of natural gas to the communities and has commenced assembling its project and local management team for the Municipality and adjoining communities, which will work out of a local office and employ an experienced local work force. EPCOR has a demonstrated history of retaining quality local contractors and will continue this tradition in the Municipality. EPCOR's gas distribution operations will draw on EPCOR's own significant experience and relationships in the Canadian gas industry, as well as experienced contractors for the contracting of gas supply and storage. EPCOR also intends to form local alliances to help build its capacity to provide safe, reliable and efficient gas services to its proposed rate payers in the franchise area. EPCOR will file a Leave to Construct Application for the high pressure distribution pipeline from an interconnection with Union Gas facilities to the local distribution facilities in each franchise area. In advance of filing its Leave to Construct Application, EPCOR will apply for a license to distribute gas from the Technical Standards and Safety Authority ("TSSA"). EPCOR will work closely with the TSSA to obtain approvals of EPCOR's operator manuals (including Construction and Maintenance, Operator Qualifications, Emergency Manual and Pipeline Integrity), to ensure compliance with CSA Z662 and provincial regulations including 210/01, 212/01, 215/01.

26. EPCOR has conducted extensive consultation in the Municipality and its other proposed franchise areas, to ensure stakeholder involvement in the development of the gas distribution infrastructure in their areas. EPCOR has consulted with every potential major customer in the proposed franchise areas, held three open houses and consulted with many potential residential and commercial customers. EPCOR has also worked with the Ontario government in relation to its natural gas expansion support programs, and is an active participant in the Board's Generic Proceeding in respect of gas distribution system expansion. Ongoing consultation, including the requirement to consult with First Nations and other impacted stakeholders, is a responsibility EPCOR takes seriously in its existing regulated businesses and intends to fulfil as the franchise holder for the Municipality.

Contact Information

27. Addresses for service for the Municipality and for EPCOR are as follows:

The Municipality of Kincardine 1475 Concession 5, R.R. #5 Kincardine, ON N2Z 2X6	EPCOR Southern Bruce Gas Inc. c/o Fasken Martineau DuMoulin LLP Suite 2400, 333 Bay Street Toronto, ON M5H 2T6

Relief Sought

28. EPCOR Southern Bruce Gas Inc. now applies to the Board for:

(a) an Order under s. 9(3) of the *Municipal Franchises Act* approving the terms and conditions upon which, and the period for which, the Municipality is, by by-law, to grant EPCOR the right to construct and operate works for the distribution and transmission of natural gas and the right to extend and add to the works;

(b) an Order pursuant to s. 9(4) of the *Municipal Franchises Act* directing and declaring that the assent of the municipal electors of the Municipality is not necessary for the proposed franchise by-law under the circumstances; and

(c) an Order pursuant to s. 8 of the *Municipal Franchises Act* issuing a Certificate of Public Convenience and Necessity to construct works and supply gas to the Municipality.

DATED at the City of Edmonton, in the Province of Alberta this 24th day of March, 2016.

EPCOR SOUTHERN BRUCE GAS INC.

[Original signed by Bruce Brandell]

Bruce Brandell
Director, Commercial Services

Comments respecting this Application should be directed to:

Britt Tan
Legal Counsel
EPCOR Utilities Inc.
2000 – 10423 101 St NW
Edmonton, Alberta T5H 0E8
btan@epcor.com
Telephone: (780) 412-3998

SCHEDULE "A"
LOCATIONS OF MAJOR EPCOR OPERATIONS

SCHEDULE "B"

[see attached]

EPCOR PROVIDING MORE

EPCOR UTILITIES INC.

2015
ANNUAL
INFORMATION
FORM

March 3, 2016

TABLE OF CONTENTS

PRESENTATION OF INFORMATION

This Annual Information Form (AIF) provides material information about the business and operations of EPCOR Utilities Inc. (EUI, EPCOR or the Corporation). Any reference to EPCOR or the Corporation in this AIF means EPCOR Utilities Inc. and its subsidiaries on a consolidated basis, except where otherwise noted or the context otherwise indicates. In this document, Capital Power refers to Capital Power Corporation and its directly and indirectly owned subsidiaries including Capital Power L.P., except where otherwise noted or the context otherwise indicates.

Unless otherwise noted, the information contained in this AIF is given at or for the year ended December 31, 2015. Amounts are expressed in Canadian dollars unless otherwise indicated. Financial information for the year ended December 31, 2015 is presented in accordance with the International Financial Reporting Standards that were adopted by EPCOR as Canadian generally accepted accounting principles (GAAP) on January 1, 2011, except where otherwise noted.

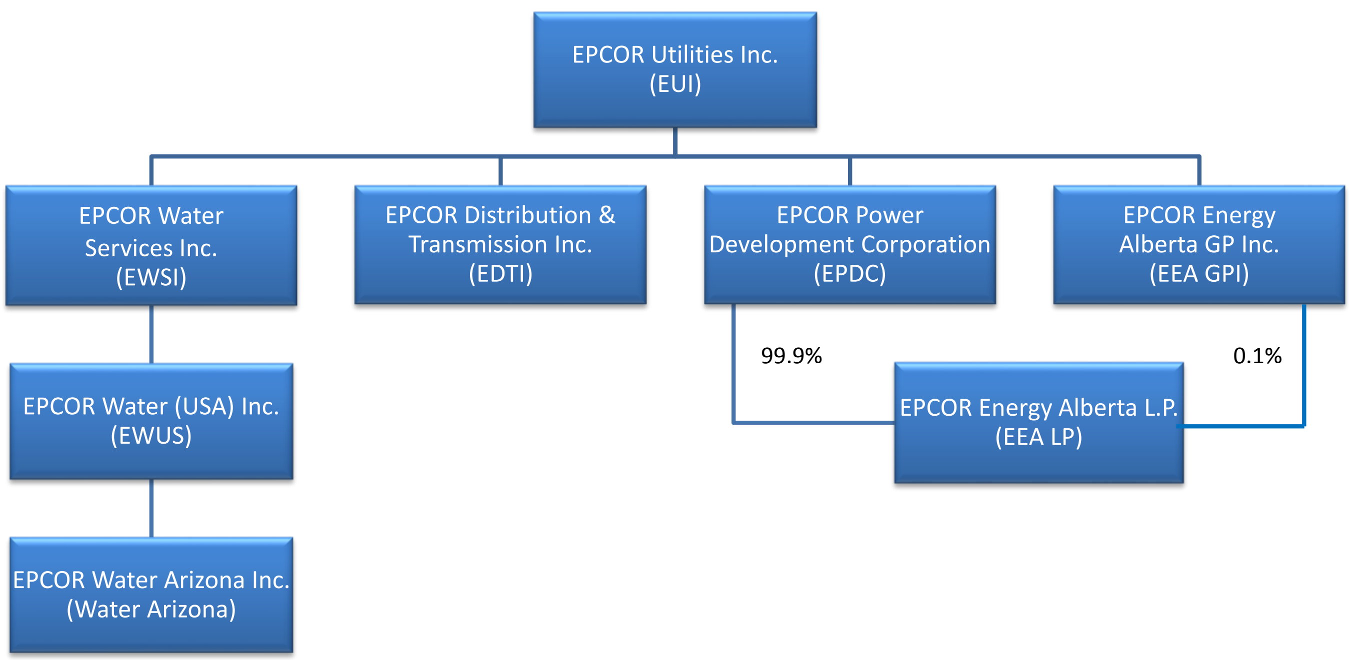
The Corporation's Management Discussion and Analysis (MD&A) dated March 3, 2016 for the year ended December 31, 2015 and the Corporation's Audited Consolidated Financial Statements for the year ended December 31, 2015 provide additional information. Copies of these documents are available on SEDAR at www.sedar.com or through the Corporation's website, www.epcor.com.

CORPORATE STRUCTURE

EPCOR Utilities Inc. was incorporated as Edmonton Power Corporation pursuant to the *Business Corporations Act* (Alberta) on August 28, 1995. On May 8, 1996, Edmonton Power Corporation changed its name to EPCOR Utilities Inc. and, on May 26, 1999, the Corporation amended its Articles of Incorporation to delete the provision restricting the Corporation from offering its securities to the public. The City of Edmonton (the City) is the sole common shareholder of the Corporation.

The principal business office and registered office of the Corporation is located at 2000, 10423 – 101 Street NW, Edmonton, Alberta, Canada, T5H 0E8.

The following organization chart indicates the inter-corporate relationships of the Corporation and its material subsidiaries as of the date of this AIF:



All material subsidiaries of EPCOR shown above are wholly-owned subsidiaries, either directly or indirectly. All material wholly-owned subsidiaries are incorporated or formed in Alberta, except for EWUS, which is incorporated in Delaware and is qualified to carry on business in the states of Arizona and New Mexico, and Water Arizona, which is incorporated in Arizona and is qualified to carry on business in the state of Arizona.

GENERAL DEVELOPMENT OF THE BUSINESS

Three-Year History

In May 2014, the Corporation began offering consumer electricity and natural gas contracts in Alberta under the "Encor" brand.

In May 2014, an EPCOR led consortium won a bid to design, build, finance, operate and maintain a new wastewater treatment facility in the city of Regina, Saskatchewan under a public-private partnership. In August 2014, EPCOR took over operations of the existing wastewater treatment plant in Regina. Construction of the new plant has commenced and is scheduled to be completed by December 2016. The arrangement includes operation of the new and existing facilities for a term of 30 years.

In June 2014, the Alberta Utilities Commission (AUC) approved the application to partition the assets of the Heartland Transmission Project, a double-circuit 500 kilovolt (kV) transmission line enhancing the transmission system between the south Edmonton area and the Industrial Heartland region near Fort Saskatchewan, which was, until that time, jointly owned by EPCOR, through its subsidiary EDTI, and AltaLink L.P. The partition, according to the service territories of the respective owners, was completed on September 30, 2014.

In April 2015, EPCOR exchanged 9,450,000 limited partnership units for an equal number of common shares of Capital Power which were immediately sold at an offering price of $23.85 per share for aggregate gross proceeds of $225 million. In addition, EPCOR exchanged all of its remaining 9,391,000 exchangeable limited partnership units for common shares of Capital Power. The sale reduced the Corporation's remaining interest in Capital Power to below 10% and as a result, the Corporation now votes together with the holders of common shares for the election of directors to the board of Capital Power.

In September 2015, David Stevens retired as President and Chief Executive Officer of EPCOR. In September 2015, Stuart Lee returned to EPCOR and assumed the responsibilities of President and Chief Executive Officer. Mr. Lee was Vice President and Corporate Controller of EPCOR prior to moving to Capital Power in 2009.

BUSINESS OF EPCOR

The Corporation, through wholly-owned subsidiaries, builds, owns and operates water and wastewater treatment facilities, electrical transmission and distribution networks, water and wastewater facilities and infrastructure in Canada and the United States (U.S.) and provides Rate Regulated Option (RRO) and default supply electricity related services and also sells electricity and natural gas to Alberta residential consumers under contracts through its Encor brand. EPCOR operates its business under the Water Services, Distribution and Transmission, Energy Services and Corporate business segments. The Corporation operates in Western Canada and the Southwestern U.S.

The map below shows the geographies in which the Corporation has material operations.

WATER SERVICES

EPCOR's Water Services business segment provides water purification and distribution and wastewater treatment services within Edmonton as well as water and wastewater design, build, finance, operate and maintain services in several other communities in Western Canada. In addition, EPCOR provides water purification and distribution and wastewater collection and treatment services in the Southwestern U.S.

EPCOR's Water Services business segment's primary objective is to reliably supply sufficient drinking and industrial process water, and to collect and treat wastewater while ensuring that the quality exceeds public health, environmental and industrial requirements.

Facilities

EPCOR owns six and operates 17 other water treatment and/or distribution facilities in Alberta and British Columbia. Additionally, EPCOR owns four wastewater treatment and/or collection facilities and operates 22 other wastewater treatment and/or collection facilities in Alberta, British Columbia and Saskatchewan.

Through its wholly-owned indirect subsidiaries, Water Arizona, Chaparral City Water Company (Chaparral) and EPCOR Water New Mexico Inc. (Water New Mexico), which are directly owned by EWUS, EPCOR also owns operations in 12 water utility districts in Arizona and New Mexico, each containing one or more water treatment and/or distribution facilities. In addition, EPCOR owns operations in six wastewater utility districts, each containing one or more wastewater treatment and/or collection facilities. The water utility districts consist of developer-built communities within a number of municipalities.

<u>Facilities Owned and Operated by EPCOR</u>

EPCOR's facilities in Edmonton encompass two water treatment plants, a wastewater treatment plant and a potable water distribution network with approximately 3,900 kilometres of distribution and transmission mains and approximately 19,800 hydrants and 62,000 valves. Its 12 reservoir sites have an aggregate capacity of approximately 800 million litres.

The Rossdale water treatment plant, located in central Edmonton, was first commissioned in 1947. The E.L. Smith water treatment plant, located in southwest Edmonton, upstream of the Edmonton downtown core, was commissioned in 1976. Through improvements and optimization of treatment processes at E.L. Smith and Rossdale (including coagulation optimization, ultraviolet (UV) disinfection and the discontinuation of softening), water production capabilities at these plants have increased to keep pace with growing demand. Through continual water supply upgrades, improvements and optimization, EPCOR strives to ensure it can meet customer water demand well into the future.

The following table provides volume details of the two owned water treatment plants in Edmonton:

Plant	**Plant Production Capacity** [(1)] (millions of litres per day)
Rossdale	280
E.L. Smith	400
Total	680

(1) Plant production capacity represents the amount of treated water that can be produced under maximum warm conditions with no plant shutdowns or detrimental raw water quality conditions such as run-off. Actual production varies with seasonality, raw water conditions and customer demand.

The water source for EPCOR owned water treatment plants in Edmonton is the North Saskatchewan River. EPCOR has withdrawal licenses to remove up to 558 million litres of water per day or about 3% to 4% of the daily average flow along the North Saskatchewan River.

EPCOR uses a number of advanced technologies in its operations, including remote water plant operations and the use of geospatial information technology to operate and maintain its water distribution system in Edmonton. EPCOR utilizes UV treatment at its E.L. Smith and Rossdale plants in Edmonton and at its White Tanks water treatment plant in Arizona. UV treatment provides an additional barrier against protozoa contaminating drinking water and enhances the drinking water quality within these regions. In anticipation of future environmental requirements, EPCOR has made proactive process and procedural changes to remove chlorine from controllable waste streams that are returned to the North Saskatchewan River. When winter conditions are stable, the two water treatment plants in Edmonton have, since 2009, been practicing direct filtration, which reduces the amount of chemicals and solids that are returned to the North Saskatchewan River.

EPCOR continues to improve the underground water distribution infrastructure within Edmonton through the annual water main replacement program, which was started in 1986 and originally targeted cast iron water main replacement. In 2015, approximately 17 kilometres of water mains, including 16 kilometres of cast iron water mains, were replaced at a total cost of $40 million. Of the 1,220 kilometres of cast iron water mains originally installed, 602 kilometres remain in service. EPCOR's efforts have been instrumental in reducing future water infrastructure replacement costs within Edmonton as well as reducing the total number of annual water main breaks. In 1986, prior to EPCOR's replacement programs, the annual number of water main breaks peaked at 1,600. In 2015, there were 277 breaks, well below the annual performance target of 574.

EWSI provides wastewater treatment services in Edmonton through operation of the Gold Bar wastewater treatment plant. Gold Bar, which began operating in 1956 as a City owned facility, was transferred to EPCOR in 2009. Gold Bar is an advanced wastewater treatment plant with a focus on three areas of treatment: full treatment (biological nutrient removal and pathogen reduction) during normal weather conditions, enhanced primary treatment during wet weather conditions (heavy rain or snow melt) and membrane filtration for reclaiming water for industrial applications. Full treatment capacity of the plant is 310 million litres per day under normal weather conditions. During wet weather conditions, the plant processes increased wastewater flows from Edmonton's combined sanitary/storm sewer system. Under these conditions, the plant can remove floatable objects up to a capacity of 2,200 million litres per day and perform primary treatment processes up to 1,200 million litres per day, which includes up to 600 million litres per day that receives enhanced primary treatment for additional pollutant removal prior to discharge into the North Saskatchewan River. Using membrane filtration technology, up to 15 million litres per day of wastewater is reclaimed for industrial use.

EPCOR owns and operates potable water and domestic wastewater facilities under leasing, financing and operating agreements with Suncor Energy Oilsands Limited Partnership (Suncor). This includes facilities at the

Steepbank, Firebag, Borealis and Voyageur sites north of Fort McMurray, Alberta. On February 18, 2015, Suncor gave the Corporation notice that it was exercising its contractual rights to buy back the leased assets and terminate the related financing and operating agreements. The transfer of assets and operations back to Suncor commenced in June 2015 with some of the Firebag facilities and the Voyageur facilities following in September 2015. Transfer of the remaining facilities and operations will be completed by September 2016. This will not have a material impact on the Corporation or its operations.

Water Arizona provides service through nine water utility districts, five wastewater utility districts, and various distribution and collection systems. Water Arizona obtains water from three sources: (i) surface water mainly from the Central Arizona Project, a canal system built to bring water from the Colorado River to various areas in Arizona; (ii) groundwater wells; and (iii) treated effluent (mainly for commercial and/or irrigation use). Surface water is treated at three facilities, as shown in the table below:

Plant	**District**	**Production Capacity** (1) (millions of litres per day)
White Tanks	Agua Fria	62.09
Anthem	Anthem	26.50
Shea	Chaparral	62.79
Total		151.38

(1) Production capacity represents the amount of treated water that can be produced under maximum warm conditions with no plant shutdowns or detrimental raw water quality conditions. Actual production varies with seasonality, raw water conditions and customer demand.

Water New Mexico provides water services to the city of Clovis, New Mexico and in the greater Edgewood area near Albuquerque, New Mexico through three water utility districts. Water in New Mexico is sourced entirely from groundwater wells.

Non-owned Facilities Operated by EPCOR

In October 2012, EPCOR signed an agreement with Alberta Infrastructure to design, build, finance and operate the expansion and upgrade of the Evan-Thomas Water and Wastewater Facility in the Kananaskis Village area of Alberta. EPCOR commenced operation of the existing water and wastewater facility on December 2, 2012. Construction on the expansion and upgrade was substantially completed in August 2014. Since then, EPCOR has been operating the new facility and will continue to operate the system through 2024. In 2014, the Award of Merit was awarded for the Evan-Thomas Water & Wastewater Treatment Facilities Upgrade Project by the Canadian Council for Public-Private Partnerships (CCPPP) to recognize outstanding achievement in the municipal sector.

In August 2014, EPCOR assumed operations of the existing wastewater treatment plant in the city of Regina and began construction of a new plant, which is expected to be completed by December 2016. This public-private partnership agreement includes the transition of the city of Regina wastewater plant staff to EPCOR and operation of the new, and existing, facilities for a term of 30 years. The city of Regina wastewater project was awarded the C.W. Chuck Wills Award by the CCPPP in 2014 for innovation and excellence in public-private partnerships.

In November 2014, EPCOR signed a long-term agreement with Fort Hills Energy L.P. to provide potable water and wastewater treatment services at the Fort Hills project north of Fort McMurray. The agreement increases EPCOR's footprint as a potable water and wastewater provider in the Fort McMurray industrial area.

EPCOR also operates other water and wastewater facilities under contracts with various commercial, municipal and industrial customers in Alberta and British Columbia.

Competitive Conditions and Rate Regulation

The Corporation has the exclusive right to provide water and wastewater services in Edmonton under franchise agreements with the City and in Arizona and New Mexico under certificates of convenience and necessity (CC&N). As a result, the majority of the Water Services business segment is rate regulated under either performance based or cost-of-service based frameworks by different regulators depending on the region. The Water Services business segment also earns income through competitive contract-based services.

Water Canada

EPCOR, through EWSI, has an exclusive franchise within the city of Edmonton for the provision of water to its population base. The franchise agreement for the provision of water services, between EWSI and the City, was extended for a 15-year term commencing January 1, 2004. On March 31, 2009, the City and EWSI entered into another franchise agreement whereby EWSI was granted the exclusive right to provide wastewater treatment services within Edmonton. The wastewater franchise agreement will expire on May 31, 2029, but may be extended for an additional 10-year period and for as many such successive renewals as the City and EWSI may agree.

The City regulates the customer rates of EPCOR's water and wastewater operations within the city of Edmonton franchise under a performance based framework. Under the performance based framework, customer rates are adjusted for inflation and expected efficiency improvements over a five-year term. In October 2011, the City approved amendments to its EPCOR Water Services and Wastewater Treatment Bylaw to cover the period from April 1, 2012 to March 31, 2017 (the 2012-2016 Performance Based Regulation (PBR) Bylaw). Through the 2012-2016 PBR Bylaw, EPCOR has the opportunity to recover its costs and earn a fair return on its investment. The 2012-2016 PBR Bylaw is designed to ensure customers receive stable and predictable rates over a five-year period while requiring EPCOR to meet performance measures in the areas of customer service, the environment, water quality, system reliability and employee safety.

The Corporation expects to file its PBR application for the period from April 1, 2017 to March 31, 2021 in the second quarter of 2016.

Wholesale water services are provided by EPCOR to nine regional water service commissions surrounding Edmonton under long-term supply contracts. The Regional Water Customers Group (RWCG) represents seven of these regional customers. The water rates charged to the RWCG are calculated annually on a cost-of-service basis, which allows EPCOR to recover its actual costs and earn a fair return on its investment. EPCOR determines these rates pursuant to the terms of the long-term supply contracts. They are subject to appeal to the AUC by way of a complaint application.

The Corporation's Water Services business segment also provides water and wastewater operations and maintenance services to commercial, industrial and municipal customers in Alberta, British Columbia and Saskatchewan and earns margins on these contracts by satisfying the terms of the contracts while controlling operating costs. In growing its commercial water business, EPCOR faces competition from other water developers, including Canadian and international water companies. To grow the business, EPCOR must remain cost competitive and continue to demonstrate its technical water expertise.

Water U.S.A.

Water Arizona, Chaparral and Water New Mexico have water and wastewater operations provided under CC&N's approved by the regulatory body in each state. Each CC&N authorizes water or wastewater service for an indefinite period of time within a defined geographic area that may be expanded at the utility's request and if approved by the state regulatory body governing that area.

In addition to regulating specific aspects of service, the Arizona Corporation Commission (ACC) regulates customer rates of EPCOR's Arizona water and wastewater customers under a cost-of-service based framework that allows utilities to recover operating costs including depreciation and amortization and earn a fair return on invested capital. Both Water Arizona and Chaparral are required to apply to the ACC for changes in the rates charged for service. A rate increase request is primarily based on the adjusted level of revenues, operating expenses and capital costs in effect at the end of the test year, which is the year that immediately precedes the rate application.

Water New Mexico is subject to the rules and rate regulations of the New Mexico Public Regulation Commission under a similar framework to Water Arizona and Chaparral.

Environmental Regulation and Initiatives

EPCOR is subject to federal, provincial, state and municipal environmental laws, regulations and guidelines concerning its businesses. EPCOR is committed to complying with or surpassing environmental regulatory requirements and minimizing the environmental impact of its operations. EPCOR is also committed to working with stakeholders with a view of protecting the environment and, at the same time, encouraging and sustaining economic development. EPCOR incorporates environmental management practices in its strategy, policies, processes and procedures. To achieve this, EPCOR is implementing environmental management systems (EMS) based on the International Organization for Standardization (ISO) environmental management standard, ISO 14001, in many of its facilities. These systems encompass identification of the scope, objectives, training and stewardship of EPCOR's environmental responsibility. Each plant and facility is also subject to environmental audits to help ensure compliance with its EMS and all applicable regulations. EPCOR became ISO 14001 certified at the Edmonton water treatment plants and reservoirs in 2015.

Water quality for EPCOR's operations in Alberta is regulated under 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. EPCOR endeavoured to ensure these prescribed requirements were met in 2015 by collecting data from more than 120,000 tests during the year on approximately 190 physical, chemical and microbiological parameters in its accredited laboratory and by sending more than 5,500 additional tests for approximately 200 parameters for analysis by external accredited laboratories. Plant operations staff performed more than 25,000 additional lab tests for process control and used approximately 210 continuous online water quality analyzers. Similar testing for water, wastewater and industrial operations is also performed at the other Alberta operating sites as well as those in British Columbia, Arizona and New Mexico.

The Edmonton waterworks system (including the E.L. Smith and Rossdale water treatment plants) has maintained EnviroVista "Champion" status since June 2011. EnviroVista is a voluntary program, for Alberta industrial, manufacturing and municipal water operations, that applies to facilities which have approvals under the EPEA. As part of the EnviroVista commitments, EPCOR has constructed and commissioned facilities to dechlorinate all chlorinated water discharges from its Edmonton water treatment plants and operate in direct filtration mode for up to seven months per year in order to reduce solids returned to the river.

EPCOR is an active member of the North Saskatchewan Watershed Alliance, the watershed planning and advisory council for the North Saskatchewan River basin, and is actively involved with the Alberta Water Council to promote watershed management programs. These programs serve to better manage watersheds and protect the North Saskatchewan River from impurities such as soil particles, excess nutrients, fertilizers, microbiological contaminants and organic materials. Watershed protection planning and implementation activities are also underway for other areas of Alberta. EPCOR supports the Athabasca Watershed Council, the formal watershed planning and advisory council for the Athabasca River watershed, and has been involved in the development and implementation of the Bow River Phosphorus Management Plan for the Bow River basin being undertaken by Alberta Environment and Parks.

In 2015, $44 million was spent on facility improvements targeted at environmental compliance or performance improvement. This included the commissioning of a hypochlorite production facility to replace the use of compressed chlorine gas cylinders and the completion of new water quality testing facilities, all at the Rossdale Water Treatment Plant. Other improvements included upgrades at Gold Bar to improve treatment effectiveness during wet weather flows and the completion of a phosphorus control facility at the Clover Bar lagoon site to capture phosphorus that would otherwise have been returned to Gold Bar. The captured phosphorus will be used to form a solid fertilizer product for land application. Additional improvements that will continue or begin in 2016 include odour control improvements, and biogas risk mitigation, upgrades and utilization.

Although there are no formal watershed protection groups in the Arizona and New Mexico service areas, all water systems in these states underwent source-water assessments to determine whether, and to what degree, the sources were vulnerable to contamination from adjacent land uses. Water Arizona's and Water New Mexico's wells are protected from contamination by proper well construction, system operation and management. Water Arizona acts as the lead agent in the West Valley Central Arizona Project Subcontractors, a regional partnership focused on full utilization and augmentation of surface water supplies in the western portion of the greater Phoenix area.

Revenues and Sales Volumes

The Water Services business segment, including EWUS and its subsidiaries, represented approximately 32% of EPCOR's total revenues in 2015 and 28% in 2014. EWUS represented approximately 28% of the Water Services business segment revenues in 2015 and 28% in 2014.

EPCOR's core water market is stable as it has the exclusive franchise to provide water and wastewater treatment within Edmonton. Twenty-year water supply agreements have been signed with the seven RWCG members which in turn supply water to 65 surrounding communities and counties. Six of these agreements expire in 2018 and one is set to expire in 2023.

The following tables show a three year history of EPCOR's annual Canadian water sales volumes for Edmonton and surrounding regions and United States water sales volumes for Water Arizona, Water New Mexico and Chaparral for the past three years:

Greater Edmonton Water Sales Volumes

(millions of litres)	**2015**	**2014**	**2013**
Residential	46,920	44,876	43,622
Multi-Residential	18,071	17,696	17,161
Commercial and Industrial	29,016	28,572	28,662
Wholesale (to RWCG)	35,986	35,416	33,562
Total	129,993	126,560	123,007

U.S. Water Sales Volumes

(millions of litres)	**2015**	**2014**	**2013**
Residential	58,571	59,366	56,035
Multi-Residential	-	-	-
Commercial and Industrial	20,957	22,456	22,802
Wholesale (to RWCG)	-	-	-
Total	79,528	81,822	78,837

Seasonality

EPCOR's Water Services business as a whole generally experiences seasonal consumption-based sales volume variability, with higher water sales occurring in summer months, particularly when precipitation levels are low and temperatures are high. These higher sales volumes also cause higher consumption based expenditures.
Water Canada's water treatment costs can vary due to seasonality and in particular during spring run-off, depending on raw water quality.

DISTRIBUTION AND TRANSMISSION

EPCOR's Distribution and Transmission business segment, which is conducted primarily through EDTI, owns and operates high voltage substations and high voltage transmission lines and cables that are primarily situated within and around Edmonton and form part of the Alberta Interconnected Electric System (AIES) power grid. Through these facilities, EDTI provides transmission services to the Alberta Electric System Operator (AESO) which operates the AIES, an independent not-for-profit entity. EDTI also owns and operates aerial and underground distribution lines and related facilities for the distribution of power to customers within its distribution service area in Edmonton.

EPCOR Technologies Inc. (Technologies), a wholly-owned non-material subsidiary of the Corporation, which is accounted for as part of the Distribution and Transmission business segment, provides design, construction and maintenance services to support transportation electrical infrastructure, such as street lighting, traffic signals and light rail transit services.

Facilities

EDTI transmits electrical energy with 72 kV, 138 kV, 240 kV and 500 kV lines and cables, as well as with 30 transmission substations that are primarily situated within Edmonton. The transmission substations form part of the AIES that feeds distribution delivery points primarily within Edmonton. EDTI operates approximately 257 circuit kilometres of aerial transmission lines and underground transmission cables, which are interconnected with the AIES and are situated, largely, on lands held under easements, utility rights-of-way and licenses or permits for rights-of-way.

EDTI distributes electrical energy to customers in Edmonton through five distribution substations, 286 distribution feeders and 5,540 circuit kilometres of primary distribution lines. In 2015, EPCOR distributed approximately 13% of provincial energy consumption to approximately 343,000 residential and 36,000 commercial consumers in Edmonton.

Competitive Conditions and Rate Regulation

EDTI has the exclusive right to provide electricity distribution services in Edmonton under a franchise agreement between EDTI and the City and to provide electricity transmission services within its service area established pursuant to Section 9 of the AESO Rules. As a result, the majority of the Corporation's Distribution and Transmission business segment is provincially rate regulated by the AUC.

EDTI's distribution function is regulated under a performance based framework. Effective January 1, 2013, EDTI's distribution function, along with all Alberta natural gas and electric distribution utility companies, transitioned from being regulated under a cost-of-service framework to a performance based framework. Under the AUC's performance based framework, rates are set based on an inflation factor less a productivity factor plus, a growth factor and an incremental capital additions factor.

In September 2015, the Alberta Court of Appeal upheld the AUC's November 2013 decision in the Utility Asset Disposition Review proceeding directing that certain gains or losses due to extraordinary retirement of assets be borne by shareholders of utilities and are not to be reflected in customer rates. The Alberta utilities are working with the insurance industry and legislators to devise a solution that minimizes or eliminates Alberta utilities' financial exposure in such events.

In March 2015, the AUC issued its 2013 Generic Cost of Capital decision for all Alberta natural gas and electricity distribution and transmission utilities setting the generic return on equity at 8.30% retroactively to January 1, 2013 for years 2013, 2014 and 2015. The generic rate of return was previously 8.75%. The AUC also adjusted the debt/equity ratio applicable to EPCOR's distribution function to 60%/40% from 59%/41% and EPCOR's transmission function to 64%/36% from 63%/37%.

EPCOR's transmission function is regulated under a cost-of-service framework that allows utilities to recover forecast operating costs, including depreciation and amortization, and to earn a fair return on invested capital.

The *Code of Conduct Regulation* under the *Electric Utilities Act* (EU Act) regulates the sharing of information and services between regulated and non-regulated affiliated electric utility entities and results in reporting and compliance obligations for the Corporation's regulated entities. EPCOR is also subject to an Inter-Affiliate Code of Conduct separately approved by the AUC for EPCOR in February 2004 (the EPCOR Code), as amended. The EPCOR Code defines a framework for the management, staffing, information disclosure and commercial relationships among the EPCOR subsidiaries providing utility services. The reporting and audit obligations arising from the EPCOR Code reside with the affected EPCOR utility subsidiaries.

The Technologies division of the Corporation's Distribution and Transmission business segment competes with other companies that provide similar electrical transportation infrastructure support services.

Environmental Regulation and Initiatives

The Distribution and Transmission business segment assets include aerial and underground distribution and transmission facilities, substations, switchyards, service centres and a de-watering site. The substations and switchyards do not require environmental approvals to operate but they are subject to regulations governing spills, noise and the release of sulfur hexafluoride. These requirements and the associated risks are well known and are appropriately managed. Other environmental activities include the management and proper disposal of polychlorinated biphenyls (PCB) remaining in the electrical system, impact to wildlife and waste management activities.

EDTI has twelve 72 kV and two 240 kV Oil Filled Pipe Type (OFPT) underground transmission cables which cross underneath the North Saskatchewan River at various locations throughout the Edmonton river valley. The OFPT cables contain PCB-free oil which provides electrical insulation and a means for transmitting heat generated by the cable conductors to the exterior of the pipe. A puncture of the OFPT cable underneath or on the bank of the North Saskatchewan River could result in the release of cable oil into the river. To reduce potential environmental damage associated with an oil release, EDTI has installed oil barrier splices in the OFPT cables at OFPT river crossings.

Capital expenditures related to distribution and transmission environmental initiatives were approximately $1 million in 2015 and are forecast to be approximately $1 million in 2016, primarily for PCB transformer replacements. EDTI is currently in compliance with Environment Canada PCB regulations and is on track to meet regulatory requirements that are being phased in over the next decade. Current operating and other costs related to environmental compliance are not material.

Revenues and Sales Volumes

The Distribution and Transmission business segment represented approximately 28% of EPCOR's total revenues in 2015 and 27% in 2014.

Revenues from EDTI consist of a regulator-approved revenue requirement to cover operation, maintenance and administrative costs plus a fair return on invested capital. This business segment also includes unregulated commercial service revenues related to Technologies' transportation electrical infrastructure services.

The following table outlines electricity distribution volumes, net of line losses (electricity lost as it is transmitted across distances):

Power Distribution Sales Volumes

(000's of megawatt hours)	**2015**	**2014**	**2013**
Residential	2,080	2,073	2,012
Commercial	5,589	5,684	5,603
Total	7,669	7,757	7,615

Seasonality

EDTI's normal business experiences some seasonality with respect to construction and associated expenditures. As work scheduling permits, EDTI shifts projects requiring significant excavation work to the summer/autumn timeframes to avoid incurring higher costs associated with performing such work in the winter.

ENERGY SERVICES

EPCOR's Energy Services business segment operates through EEA LP and provides RRO electricity service to residential, farm and small commercial consumers within Edmonton, several Rural Electrification Association (REA) service territories and the FortisAlberta Inc. service territory. Energy Services also provides default supply electricity services to customers that consume more than 250-megawatt hours (the amount of electricity generated by one megawatt operating for one hour) per year in these service areas. The Energy Services business segment also sells electricity and natural gas to Alberta consumers under contracts through its Encor brand. In addition, Energy Services provides billing, collection and contact centre services to its RRO and Encor customers, the City's Waste and Drainage departments and to EWSI.

EPCOR's Energy Services business is subject to the *Code of Conduct Regulation* under the EU Act and Inter-Affiliate Code of Conduct as described above.

Competitive Conditions and Rate Regulation

The Corporation has the exclusive right to provide RRO electricity services to customers in the EDTI and FortisAlberta Inc.'s electricity distribution service areas. As a result, the RRO business, which comprises the majority of the Corporation's 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 forecast operating costs, including depreciation and amortization, and earn a fair margin.

All retail power customers in Alberta have a choice of retailers from whom they may purchase power. The RRO is the default option for these customers if they have not entered into contracts with a competitive electricity retailer. The RRO is a regulated power pricing option available to all eligible residential, commercial and farm/irrigation customers who consume less than 250-megawatt hours per year. Approximately 35% of total power consumption in Alberta, excluding self-retailers, is RRO eligible. Approximately 56% of residential and 40% of small commercial RRO eligible customers have chosen to stay on the RRO (i.e. they have not signed a contract with a competitive electricity retailer). Large industrial, municipal and large commercial customers are not eligible for the RRO.

The *RRO Regulation* of the EU Act (RRO Regulation) has been extended to April 30, 2020. The RRO Regulation requires all RRO providers to provide a hedged rate to eligible customers. A hedged rate means EPCOR enters into financial transactions, under an AUC regulated energy price setting plan (EPSP), to lock in fixed prices for each month, which are used to set the RRO rate in advance of customers consuming the energy.

Under its current approved EPSP, EEA LP bears price and volume risks and is compensated through the margins in customer rates for incurring such risks. In March 2015, the AUC increased the return margin allowed to be earned for the provision of RRO electricity services and reduced the risk margin allowed to be earned for bearing the commodity risk in providing RRO electricity services. The EPSP will continue to be in effect until EEA LP implements the AUC decision with the generic proceeding in mid-2016.

In the deregulated electricity marketplace, increased competition combined with new service offerings, such as “green power” and different pricing strategies, may result in loss of EPCOR RRO customers. Competition has, and is expected to continue to come from Alberta’s non-regulated retailers. Owing to market conditions and low RRO rates, EPCOR has returned to net site growth not experienced since the 2009-2011 period, and gained 7,500 RRO customers in 2015. The degree of RRO customer attrition is expected to be impacted by the direction and magnitude of RRO price movements, the availability of competitive offerings at prices that are attractive to customers and changes resulting from the Alberta government’s climate change policies.

In May 2014, the Corporation entered the deregulated competitive retail market by offering electricity and natural gas contracts to Alberta consumers under the Encor brand in order to mitigate the impact of RRO customer attrition. The expanded service offering, including green energy options, provides customers wishing to move from the RRO to a competitive contract with an EPCOR offering.

Revenues and Sales Volumes

The Energy Services business segment represented approximately 40% of EPCOR’s total revenues in 2015 and 45% in 2014.

The following table outlines EPCOR’s retail power sales volumes for the periods indicated:

Retail Power Sales

(gigawatt hours)	2015	2014	2013
RRO	4,947	5,085	5,161
Default & Competitive Supply	761	704	749
Total Power Sales	5,708	5,789	5,910

Seasonality

EEA LP experiences seasonal consumption-based sales volume variability within the year, with higher consumption months being those with fewer daylight hours and those with hotter weather, leading to high air conditioning electricity load.

These higher sales volumes also cause higher consumption based expenditures.

CORPORATE

The Corporate business segment includes Corporate Services and EPCOR’s financial interest in Capital Power.

Corporate Services

EPCOR’s Corporate Services provides certain centralized support services to the Corporation’s other business segments. Corporate services provided are based on specialized knowledge, experience, technology and cost effectiveness of providing services centrally. These services include governance, finance, internal audit, information services, supply chain management, human resources, public and government affairs, legal, and health, safety and environment services.

Capital Power

At December 31, 2015, EPCOR held 9.6% of the voting common shares of Capital Power Corporation. In addition, EPCOR holds loans receivable in the form of a back-to-back debt obligation from Capital Power that generally matches the payment provisions of certain debt obligations of EPCOR. These investments arose from the sale of EPCOR's power generation business in 2009.

In April 2015, EPCOR exchanged 9,450,000 limited partnership units for an equal number of common shares of Capital Power which were immediately sold at an offering price of $23.85 per share for aggregate gross proceeds of $225 million. In addition, EPCOR exchanged all of its remaining 9,391,000 exchangeable limited partnership units for common shares of Capital Power. Following the completion of the exchange, EPCOR no longer exerts significant influence over Capital Power. Accordingly, the Corporation has reclassified its investment in Capital Power as available for sale with the intention of selling the remaining interest as the funds are required, subject to market conditions. The Corporation plans to reinvest the proceeds from such sales in EPCOR's infrastructure and Energy Services businesses.

An Amended and Restated Back-to-Back Credit Agreement governs the loans receivable from Capital Power (see Material Contracts section). Approximately $572 million of the loans were contractually retired on or before December 31, 2015, with the remainder maturing on or before June 30, 2018. As part of the Amended and Restated Back-to-Back Credit Agreement, EPCOR has the right to call the remaining debt owed by Capital Power in certain situations.

The following table outlines EPCOR's financial interest in Capital Power**:**

	As at December 31		
($ in millions)	**2015**	**2014**	**2013**
Economic interest in Capital Power	9.6%	18.4%	18.9%
Investment in Capital Power	$167	$386	$385
Loans receivable from Capital Power	$323	$332	$340

PERSONNEL

As at December 31, 2015, EPCOR employed 2,795 full-time, part-time, temporary and casual employees.

	As at December 31		
	2015	**2014**	**2013**
Water	1,174	1,140	1,116
Distribution and Transmission	1,097	1,067	1,060
Energy Services	256	233	234
Corporate	268	270	256
Total	2,795	2,710	2,666

EPCOR has a strong working relationship with its five labour unions; four based in Alberta and one in Saskatchewan. As of December 31, 2015, the five Alberta labour unions represented 1,766 employees.

EPCOR has not experienced any labour disruptions since 1978.

RISK FACTORS

A discussion of the risk factors relating to EPCOR and its business and operations can be found in the section entitled "Risk Factors and Risk Management" in the Corporation's MD&A dated March 3, 2016 for the year ended December 31, 2015.

DIVIDEND POLICY

The annual dividends for 2013 to 2015 were $141 million per year. Under EPCOR's dividend policy, the annual dividend is set at $141 million per year, until a change is recommended by the Board of Directors (the Board) and approved by EPCOR's shareholder. Dividends for each year will be reviewed annually by the Board and the shareholder and are subject to amendment in the event of significant change in EPCOR's business or financial condition.

Certain debentures of the Corporation contain restrictions on the payment of non-cumulative dividends, including dividends on the Corporation's common shares if the consolidated funded obligations exceed 75% of total consolidated capitalization.

CAPITAL STRUCTURE

The Corporation is authorized to issue an unlimited number of common shares. As of December 31, 2015, there were three common shares of the Corporation issued and outstanding, all of which are owned by the City. Under its Articles of Incorporation, the Corporation cannot issue equity securities, including common shares, other than to the City, unless the City approves such issuance. None of the common shares issued by the Corporation are quoted or traded on a public exchange. As of December 31, 2015, common shares are the only class of equity security that the Corporation is authorized to issue.

CREDIT RATINGS

The following information relating to EPCOR's credit ratings is provided as it relates to EPCOR's financing costs and liquidity. Specifically, credit ratings affect EPCOR's ability to obtain short-term and long-term financing and the cost of such financing. A reduction in the current ratings on the Corporation's debt by its rating agencies, particularly a downgrade below investment grade ratings, or a negative change in the ratings outlook, could adversely affect the Corporation's cost of new or renewal financing and its access to sources of liquidity and capital. In addition, changes in credit ratings may affect the Corporation's ability to, and the associated costs of, enter into normal course derivative or hedging transactions or its ability to maintain ordinary course contracts with customers and suppliers on acceptable terms.

Credit ratings are intended to provide investors with an independent assessment of the credit quality of an issue or an issuer of securities and such ratings do not address the suitability of a particular security for a particular investor. The ratings assigned to a security may not reflect the potential impact of all risks on the value of the security. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision and withdrawal at any time by the credit rating organization. The Corporation pays the applicable rating agency fees to have its debt rated by the rating agency.

Standard and Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. (S&P)

A-: Senior Unsecured Debt – The A- rating assigned to the Corporation's Senior Unsecured Debt is within the A rating category, which is the third highest rating of S&P's ten rating categories for long-term debt obligations, which range from AAA to D. The ratings from AA to CCC may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories. S&P's ratings outlook of EPCOR is stable which reflects their expectation, as expressed in their ratings report that EPCOR's increase in the regulated water, wastewater and electricity utility businesses in relation to the unregulated businesses, and strong operating performance, will continue to strengthen its business risk profile.

S&P Rating Description: An obligation rated A has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in higher-rated categories.

DBRS Limited (DBRS)

A (low): Senior Unsecured Debentures – The A (low) rating assigned to the Corporation's Senior Unsecured Debentures is within the A rating category which is the third highest rating of DBRS's ten rating categories for long-term debt obligations, which range from AAA to D. DBRS also uses "high" and "low" subcategories on ratings from

AA to C to indicate the relative standing of the securities being rated within a particular rating category. The outlook trend for this rating is stable, as DBRS, according to their ratings report, believes credit metrics will remain within a range consistent with the current ratings.

DBRS Rating Description: Long-term debt rated A is of good credit quality. The capacity for the payment of financial obligations is substantial, but of lesser credit quality than AA. May be vulnerable to future events, but qualifying negative factors are considered manageable.

R-1 (low): Commercial Paper – The R-1 (low) rating assigned to the Corporation's short-term debt is within the R-1 rating category which is the highest rating of DBRS's six rating categories for short-term debt obligations, which range from R-1 to D. DBRS also uses "high", "middle" and "low" subcategories on short-term ratings from R-1 to R-5 to indicate the relative standing of the securities being rated within a particular rating category.

DBRS Rating Description: Short-term debt rated R-1 (low) is of good credit quality. The capacity for the payment of short-term financial obligations as they fall due is substantial. Overall strength is not as favorable as higher rating categories. May be vulnerable to future events, but qualifying negative factors are considered manageable.

Credit Ratings Related Fees

The Corporation pays rating agency fees to have its debt rated by S&P and DBRS. In the past two years, EPCOR paid S&P and DBRS fees for annual ratings maintenance, and ratings opinions for new debt issuance. In addition, DBRS was compensated for the renewal of EPCOR's Base Shelf Prospectus and for providing indicative stand-alone ratings on select EPCOR subsidiaries.

TRANSFER AGENT AND REGISTRAR

BNY Trust Company of Canada, at its office located at Toronto, Ontario, is the trustee (Trustee) under the Corporation's indenture. Registers for the registration and transfer of the Senior Unsecured Debentures are kept at the offices of the Trustee in Toronto, Ontario. The Trustee is also the paying agent for the Senior Unsecured Debentures.

MATERIAL CONTRACTS

Apart from contracts entered into in the ordinary course of business, EPCOR has entered into one material contract, being an Amended and Restated Back-to-Back Credit Agreement dated January 28, 2016 between EPCOR, as lender and Capital Power, as borrower, that governs the back-to-back debt obligation in the aggregate amount of approximately $896 million. The material contract can be found on SEDAR at www.sedar.com.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

There were no directors, senior or executive officers or other insiders of the Corporation, or any associates or affiliates of the foregoing, who had material interests in any transaction or proposed transaction involving the Corporation in the financial year ended December 31, 2015, which has materially affected or would materially affect the Corporation.

INDEBTEDNESS OF DIRECTORS AND SENIOR OFFICERS

As of the date of this AIF, none of the directors or senior or executive officers of the Corporation, and no associate of any of them, is or was in the most recently completed financial year indebted to the Corporation, except for routine indebtedness.

INTERESTS OF EXPERTS

KPMG LLP are the auditors of the Corporation and have confirmed that they are independent with respect to the Corporation within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations.

OFFICERS OF THE CORPORATION

The following are the names, province / state and country of residence of the executive officers of EPCOR as of the date of this AIF, their positions and offices within EPCOR and principal occupations during the preceding five years:

Name, Province/State, Country of Residence and Office	Principal Occupation During Past Five Years
Guy Bridgeman Alberta, Canada Senior Vice President and Chief Financial Officer	Senior Vice President and Chief Financial Officer from May 2013; prior thereto, Senior Vice President, Finance, Planning and Development from February 2013; prior thereto, Senior Vice President, Strategic Planning and Development from July 2009.
Hanan Campbell Alberta, Canada Associate General Counsel	Associate General Counsel from March 2014; prior thereto, Senior Legal Counsel from July 2009.
John Elford Alberta, Canada Senior Vice President, Water Canada	Senior Vice President, Water Canada from January 2015; prior thereto, Divisional Vice President, EPCOR Distribution and Transmission from February 2013; prior thereto, Director, Regulatory Affairs, EPCOR Distribution and Transmission from March 2011; prior thereto, Director Planning and Project Management, EPCOR Distribution and Transmission from December 2009.
Joseph Gysel Arizona, United States Senior Vice President, EPCOR Water USA (President, EWUS)	Senior Vice President, EPCOR Water USA (President, EWUS) from December 2011; prior thereto, Senior Vice President, New Business Enterprises from September 2011; prior thereto, Senior Vice President, Water Development, EPCOR Water Services Inc. from July 2009.
Stuart Lee Alberta, Canada President and Chief Executive Officer	President and Chief Executive Officer from September 2015; prior thereto Senior Vice President, Corporate Development and Commercial Services, Capital Power Corporation from April 2015 to August 2015; prior thereto Senior Vice President Finance and Chief Financial Officer, Capital Power Corporation from July 2009 to March 2015 and President, CPI Income Services Ltd. from July 2009 to November 2011.
Francesco (Frank) Mannarino Alberta, Canada Senior Vice President, Electricity Operations	Senior Vice President, Electricity Operations from May 2013; prior thereto, Divisional Vice President, EPCOR Water Canada from September 2010; prior thereto, Production Manager, Shell Canada from November 2006.
Jamie Pytel Alberta, Canada General Counsel and Corporate Secretary	General Counsel and Corporate Secretary from March 2014; prior thereto, Associate General Counsel, Corporate Secretary and Ethics Officer from August 2012; prior thereto, Acting Associate General Counsel, Acting Corporate Secretary and Ethics Officer from March 2012; prior thereto, Acting Associate General Counsel, Acting Assistant Corporate Secretary and Ethics Officer from March 2011; prior thereto, Senior Legal Counsel, Litigation and Ethics Officer from July 2009.
Susan (Amanda) Rosychuk Alberta, Canada Senior Vice President, Corporate Services	Senior Vice President, Corporate Services from March 2014; prior thereto, Senior Vice President, Human Resources and Information Services from May 2013; prior thereto, Divisional Vice President, Municipal Water and Wastewater Operations from September 2010; prior thereto, Senior Vice President, Field Services from July 2009; prior thereto, Divisional Vice President, EPCOR Distribution & Transmission Inc. from March 2009.
Duane Sommerfeld Alberta, Canada Treasurer	Treasurer from January 2015; prior thereto, Treasurer and Divisional Vice President, Technologies from January 2014 to December 2014; prior thereto, Treasurer and Corporate Controller from November 2013; prior thereto, Corporate Controller from July 2009.
Stephen Stanley Alberta, Canada Senior Vice President, Commercial Services	Senior Vice President, Commercial Services from January 2015; prior thereto, Senior Vice President Water Canada and Technologies from January 2014 to December 2014; prior thereto, Senior Vice President, Water Services Canada from December 2011; prior thereto, Senior Vice President, Water Services from November 2004.
Pamela Zrobek Alberta, Canada Corporate Controller	Corporate Controller from January 2014; prior thereto, Controller, EPCOR Distribution & Transmission Inc. from June 2006.

CORPORATE GOVERNANCE

Board Mandate

The Board operates under the Charter of Expectations for the Board of Directors attached to this AIF as Appendix II.

Position Descriptions

The Board acts in a plenary role, and sets out clear expectations for management. The Board has adopted terms of reference for the Board Chair, the directors and each of the Committees. In addition, the Corporation's by-laws further delineate the role of senior management and the Human Resources & Compensation Committee (HR&C Committee) annually determines the Chief Executive Officer's objectives and conducts an evaluation of the Chief Executive Officer's performance against the established objectives.

Directors of the Corporation

Following are the names, province/state and country of residence of the directors as of the date of this AIF, their date of birth, year appointed, expiry of term, principal occupations during the preceding five years and their relevant skills and experience:

Hugh J. Bolton, FCA
Alberta, Canada
Date of Birth: May 1938
Year appointed: 2000
Term expires: 2018

Principal Occupation During Past Five Years:
Corporate Director.

Skills and Experience:
Mr. Bolton was appointed Chairman of the Board in 2000. Mr. Bolton is a Chartered Accountant and Fellow of the Chartered Professional Accountants of Alberta. He holds a Bachelor of Arts degree in Economics and an Honorary Doctor of Laws degree, both from the University of Alberta. He is former Chairman, Chief Executive Officer and partner of Coopers & Lybrand and presently serves as a director of WestJet Airlines Ltd. and is a former board member Capital Power Corporation, Teck Resources Limited, TD Bank Financial Group, Canadian National Railway and Matrikon Inc. In 2006, Mr. Bolton received a fellowship from the Institute of Corporate Directors (Canada) and in 2010, he received a Lifetime of Achievement Award from the Alberta Institute of Chartered Accountants.

Vito Culmone
Alberta, Canada
Date of Birth: November 1964
Year appointed: 2013
Term expires: 2017

Principal Occupation During Past Five Years:
Executive Vice President and Chief Financial Officer, Shaw Communications Inc. from June 2015; prior thereto Executive Vice-President, Finance and Chief Financial Officer, WestJet Airlines Ltd March 2007 to June 2015.

Skills and Experience:
Mr. Culmone was appointed to the Board in 2013. Mr. Culmone obtained his Chartered Accountant designation in 1989 and holds a Bachelor of Commerce degree from the University of Toronto. He serves as the Executive Vice President, Finance and Chief Financial Officer of Shaw Communications Inc. In this position he is responsible for the overall financial management of Shaw Communications Inc. and its financial reporting. Prior to joining Shaw Communications Inc. in June 2015, Mr. Culmone served as Executive Vice President, Finance and Chief Financial Officer of WestJet Airlines Ltd. from March 2007 to May 2015 and had oversight of multiple corporate functions. Prior to joining WestJet Airlines Ltd., Mr. Culmone had a 12-year career at Molson Inc. where his previous roles included Vice President, Controller and Corporate Finance, Molson Inc. (pre-merger with Coors); Vice President and Chief Financial Officer of Molson U.S.A; and Vice President, Commercial Finance at Molson Canada.

Robert G. Foster
California, United States
Date of Birth: January 1947
Year appointed: 2014
Term expires: 2016

Principal Occupation During Past Five Years:
Corporate Director; prior thereto Mayor of Long Beach, California from July 2006 to July 2014.

Skills and Experience:
Mr. Foster was appointed to the Board in 2014. Foster holds a Bachelor of Administration degree in Public Administration from San Jose State University. He currently serves as a director for sPower and Total Transportation Services, Inc. and on the Advisory Board of Philips Electronics. He recently served as Chairman of the California Independent System Operator and as Mayor of the City of Long Beach, California. He has also served as President of Southern California Edison.

Allister J. McPherson
Alberta, Canada
Date of Birth: September 1943
Year appointed: 2008
Term expires: 2016

Principal Occupation During Past Five Years:
Corporate Director.

Skills and Experience:
Mr. McPherson was appointed to the Board in 2008. Mr. McPherson holds a Masters of Science degree from the University of British Columbia. He served as Executive Vice President of the Canadian Western Bank and was Deputy Provincial Treasurer, Finance and Revenue, for the Province of Alberta. Mr. McPherson is presently a Director at Capital Power Corporation and an external member of the University of Alberta's Investment Committee. He is past Chair of the Credit Union Deposit Guarantee Corporation, a past Director of The Churchill Corporation and has served on the Endowment Fund Policy Committee of Alberta Finance and the Edmonton Regional Airports Authority Board of Directors.

Douglas H. Mitchell, C.M., Q.C.
Alberta, Canada
Date of Birth: February 1939
Year appointed: 2001
Term expires: 2016

Principal Occupation During Past Five Years:
National Co-Chair, Borden Ladner Gervais LLP (law firm) from January 2007 to November 2013.

Skills and Experience:
Mr. Mitchell was appointed to the Board in 2001. Mr. Mitchell holds a Bachelor of Laws degree from the University of British Columbia and a Bachelor of Arts degree from Colorado College. He presently is or has served as National Co-Chair of Borden Ladner Gervais LLP, Chair of the Calgary Airport Authority, Chair of the Calgary Sports Tourism Authority, Legacy Sports Inc., Co-Chair of the Banff Global Business Forum, Vice-Chair of ParticipAction, Chair of the Alberta Economic Development Authority, President of the Calgary Chamber of Commerce and a member of the Canadian Football League Board of Governors and Southern Alberta Institute of Technology Board of Governors. In 2004, he was appointed to the Order of Canada and in 2007 was inducted into the Alberta Order of Excellence.

Laurence M. Pollock
Alberta, Canada
Date of Birth: January 1947
Year appointed: 1998
Term expires: 2016

Principal Occupation During Past Five Years:
Advisor to the board of directors, Canadian Western Bank from March 2013; prior thereto Chief Executive Officer, Canadian Western Bank (financial services) from 1990.

Skills and Experience:
Mr. Pollock was appointed to the Board in 1998. Mr. Pollock graduated from the Saskatchewan Institute of Applied Arts & Sciences in Business Administration and holds an Honorary Bachelor of Business Administration degree from the Northern Alberta Institute of Technology. In his past role as Chief Executive Officer of Canadian Western Bank, Mr. Pollock was responsible for approximately 2,000 employees along with having the Human Resources department reporting directly to him. Mr. Pollock has experience in designing compensation plans as well as reviewing the same from external consultants.

Catherine M. Roozen
Alberta, Canada
Date of Birth: March 1956
Year appointed: 2014
Term expires: 2016

Principal Occupation During Past Five Years:
Chair, Cathton Investments Ltd. from 2009.

Skills and Experience:
Ms. Roozen was appointed to the Board in 2014. Ms. Roozen holds a Bachelor of Commerce degree from the University of Alberta. She is Chair of Cathton Investments Ltd., as well as Director and Secretary of the Allard Foundation Ltd., and is a former Vice-President, Investments at Cathton Holdings Ltd. She is currently a Director at Melcor Developments Ltd. and Corus Entertainment Inc. She has also served as Vice President, Investments, at North West Trust Company, and has served on a number of other boards. In December 2015, Ms. Roozen was appointed as to the Order of Canada.

Helen K. Sinclair Ontario, Canada Date of Birth: April 1951 Year appointed: 2008 Term expires: 2016	**Principal Occupation During Past Five Years:** Chief Executive Officer, Bank Works Trading Inc. (satellite communications and business television) from 1996.

Skills and Experience:
Ms. Sinclair was appointed to the Board in 2008. Ms. Sinclair holds a Masters of Arts (Economics) degree from the University of Toronto and is a graduate of the Advanced Management Program at Harvard Business School. She is the founder and Chief Executive Officer of Bank Works Trading Inc. and its business television network (BCN.tv), and is a former President of the Canadian Bankers Association. She currently is a Director at TD Financial Group and DH Corporation (formerly Davis + Henderson Corporation). She has also served as Senior Vice President, Planning and Legislation at Scotiabank, and on the boards of a number of public policy and adjudicative bodies. Ms. Sinclair serves or has served on the human resources and compensation committees of TD Bank Financial Group (current), DH Corporation (previously as Chair), Canada Pension Plan Investment Board (to November 2009) and McCain Capital (to December 2011).

Nizar Jaffer Somji Alberta, Canada Date of Birth: March 1959 Year appointed: 2015 Term expires: 2017	**Principal Occupation During Past Five Years:** Chief Executive Officer, Jaffer Inc.; prior thereto President and Chief Executive Officer of Matrikon Inc. to June 2010.

Skills and Experience:
Mr. Somji was appointed to the Board in 2015. Mr. Somji graduated from the University of Birmingham with a Bachelor of Science degree in electrical engineering and holds a Master of Science degree in Chemical Engineering from the University of Alberta. Mr. Somji is the President and Chief Executive Officer of Jaffer Inc. and founder and former President and Chief Executive officer of Matrikon Inc. prior to it being acquired by Honeywell in 2010. A leader in industrial intelligence for the oil and gas industry, Matrikon employed over 600 employees on six continents. He is currently a Director at Redline Communications Group Inc., Zafin Inc., Critical Control Energy Services Corp. and is on the University of Alberta Board of Governors.

Sheila C. Weatherill, C.M. Alberta, Canada Date of Birth: October 1945 Year appointed: 2002 Term expires: 2017	**Principal Occupation During Past Five Years:** Senior Advisor at University of Alberta (post-secondary education) from January 2009; prior thereto, Independent Investigator to the Government of Canada from January 2009 to July 2009; prior thereto, President and Chief Executive Officer, Capital Health Authority (regional health authority) from 1996.

Skills and Experience:
Ms. Weatherill was appointed to the Board in 2002. Ms. Weatherill graduated from the University of Alberta in nursing. She holds an Honorary Doctor of Laws degree from the University of Lethbridge and an Honorary Bachelor of Arts degree from MacEwan University. Ms. Weatherill is former President and Chief Executive Officer of the Capital Health Authority and presently services as Director of Canada Health Infoway, Inc. She received the Alberta Centennial Medal, was appointed to the Order of Canada and was formerly a member of the Prime Minister's Advisory Committee on the Public Service.

Director Independence

All members of the Board are outside directors because they are not members of management. All ten members of the Board are independent, as the term is defined in National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (NI 58-101). Under NI 58-101, a director is independent if he or she would be independent within the meaning of independence under National Instrument 52-110 – *Audit Committees* (NI 52-110). Essentially, a director is independent if he or she has no direct or indirect material relationship with the Corporation. A "material relationship" is a relationship that could, in the view of the Board, be reasonably expected to interfere with the exercise of a director's independent judgment.

The Board determines annually whether each member of EPCOR's Board is independent based on whether they, among other things, worked for EPCOR, had any immediate family member engaged in the employment of EPCOR, benefited from a business relationship with EPCOR that could reasonably be perceived to materially interfere with their independent judgment, or received remuneration from EPCOR other than remuneration for acting as a member of the Board and Board established committees of the Corporation.

Chair of the Board

Mr. Hugh Bolton is the Chair of the Board. Mr. Bolton, who is independent as the term is defined in NI 58-101, was appointed to this position on January 1, 2000. Mr. Bolton's responsibilities as the Chair of the Board are set out in the Chair's Terms of Reference, which have been formally adopted by the Board. The Chair reports to the City and is responsible for ensuring that the City receives accurate, relevant and timely information respecting the Board's actions. As chief spokesperson for the Board, the Chair represents the Board's views to, and reports back to the Board respecting communications with, the City.

The primary responsibilities of the Chair are to chair effective Board and Shareholder meetings, monitor and oversee the strategic agenda of the Corporation and to provide leadership and advice respecting business planning processes, corporate governance and supporting material provided to the Board. Furthermore, the Chair shall ensure the responsibilities of the Board are well understood by the Board and management of the Corporation and that the boundaries between the Board and management are clearly understood and respected.

Outside Directorships

The following directors of EPCOR are presently directors of other issuers that are reporting issuers (or the equivalent) in Canada or in a foreign jurisdiction:

Mr. Bolton	Director of WestJet Airlines Ltd.
Mr. McPherson	Director of Capital Power Corporation and Capital Power GP Holdings Inc.
Mr. Mitchell	Director of AltaLink Management Ltd., which is the general partner of AltaLink L.P. and trustee of Northview Apartment Real Estate Investment Trust.
Mr. Pollock	Director of HNZ Group Inc. (formerly Canadian Helicopters Group Inc.) and WestJet Airlines Ltd. and a trustee of the Melcor Real Estate Investment Trust.
Ms. Roozen	Director of Melcor Developments Ltd. and Corus Entertainment Inc.
Ms. Sinclair	Director of DH Corporation (formerly Davis + Henderson Corporation) and TD Bank Financial Group.
Mr. Somji	Director of Redline Communications Group Inc. and Critical Control Energy Services Corp.
Ms. Weatherill	Director of Shaw Communications Inc.

There is one interlocking directorship resulting from the directors of EPCOR acting as directors of other issuers: Mr. Bolton and Mr. Pollock are directors of WestJet Airlines Ltd. The Board has determined that this interlocking directorship does not impact the ability of these directors to act in the best interests of the Corporation.

In addition, there is one interlocking relationship resulting from Mr. Culmone being the Executive Vice President, Finance and Chief Financial Officer of Shaw Communications Inc. and Ms. Weatherill acting as a director of Shaw Communications Inc. The Board has determined that this interlocking relationship does not impact the ability of these directors to act in the best interests of the Corporation.

Material Interests

Directors and executive officers of the Corporation are regularly asked to disclose in writing any material interest he or she has in a material contract or transaction with the Corporation, whether or not it is a current or proposed contract or transaction, or have the interest entered into the minutes of a Board meeting, including its nature and extent. When a director has a material interest, the director must refrain from participating in any discussion or vote on the matter. In practice, a director with a material interest recuses himself or herself from the Board meeting when a discussion or vote takes place on such matter.

Board Meetings

The Board holds regularly scheduled meetings as well as *ad hoc* meetings from time to time. The Board regularly meets without management present for a portion of its meetings. The Board does not hold regularly scheduled meetings where only the independent members of the Board, as defined by NI 58-101 are present. However, the independent members of the Board do have the opportunity, at their discretion, to hold *ad hoc* meetings that are not attended by the non-independent directors and members of management. In addition, the Board may excuse directors and members of management from all or a portion of any meeting where a potential conflict of interest arises or where otherwise appropriate.

In 2015, the attendance of directors at Board meetings was as follows:

Name	Number of Meetings	Attendance
Hugh J. Bolton	12 of 12 meetings	100%
James E.C. Carter(1)	4 of 4 meetings	100%
Vito Culmone	12 of 12 meetings	100%
Robert G. Foster	12 of 12 meetings	100%
Allister J. McPherson	12 of 12 meetings	100%
Douglas H. Mitchell	12 of 12 meetings	100%
Laurence M. Pollock	12 of 12 meetings	100%
Catherine M. Roozen(2)	6 of 12 meetings	50%
Helen K. Sinclair	12 of 12 meetings	100%
Nizar Jaffer Somji(3)	4 of 4 meetings	100%
Sheila C. Weatherill	12 of 12 meetings	100%

(1) Mr. Carter retired on May 8, 2015.
(2) Absences primarily due to commitments made prior to joining the Board in 2014.
(3) Mr. Somji was appointed on September 11, 2015.

Orientation and Continuing Education

EPCOR has procedures in place for the orientation of new directors. New directors meet with the President and Chief Executive Officer, the Chief Financial Officer and the Chair of the Board in order to improve their understanding of the Corporation as well as the overall industries within which the Corporation participates. New directors are also provided the option of receiving briefings from members of senior management of the Corporation.

In addition, all directors are provided with a Board of Directors Governance Manual, which contains detailed information about EPCOR's business, Board and committee terms of reference, individual director terms of reference, authority matrices, corporate structure and governance and other related matters of interest to the directors. This Board of Directors Governance Manual, which is available to all directors electronically, is updated as the documents included in it are amended or replaced. Furthermore, all directors are also provided with the opportunity to annually tour at least one of the Corporation's sites that is illustrative of each of the various types of facilities and plants owned and operated by the Corporation.

The Corporate Governance and Nominating Committee's (CG&N Committee) terms of reference require that the CG&N Committee review, monitor and make recommendations to the Board regarding new director orientation and ongoing development of existing Board members. The Board identifies discussion topics for its annual planning retreat. Regular presentations are organized for the Board by the Board itself and senior management with respect to subjects relevant to the operations of the Corporation. In addition, with respect to developments in the law regarding directors' obligations and regulatory developments that may impact the Corporation's operations, EPCOR's General Counsel keeps informed of such developments and updates the Board as necessary. The Corporation also contributes $1,500 per year or $6,000 every four years for each director towards professional development courses of a general nature that will be of benefit to the Corporation. This contribution can be used for any relevant expenses related to the pursuit of the director's education, which expenses may include conference fees, membership dues, registration fees, materials, reference books and similar expenses.

Ethical Business Conduct

The Corporation has adopted a written ethics policy (the Ethics Policy), applicable to all employees of EPCOR and its Canadian subsidiaries, including their directors. The Board has oversight and control over the policy including governance over all material changes to and deviations from the policy. A summary report of all ethics investigations are included in the quarterly Litigation and Ethics Report provided to the Audit Committee. A copy of the Ethics Policy can be obtained from EPCOR's Corporate Secretary upon request or from EPCOR's website at www.epcor.com.

EWUS has adopted a written ethics policy (the U.S. Ethics Policy), applicable to all employees of EWUS and its subsidiaries, including their directors. The board of directors of EWUS has oversight and control over the U.S. Ethics Policy including governance over all material changes to and deviations from the U.S. Ethics Policy. A summary report of all ethics investigations are included in the quarterly Ethics Report that EWUS' Ethics Officer provides to the board of directors of EWUS. A copy of EWUS's Ethics Report is then to be appended to the quarterly Litigation and Ethics Report provided by EPCOR's Ethics Officer to EPCOR's Audit Committee. A copy of the U.S. Ethics Policy can be obtained from EPCOR's Corporate Secretary upon request or from EPCOR's website at www.epcor.com.

The Corporation promotes a culture where anyone can speak openly about ethical concerns without fear of reprisal. Employees can raise a concern with their manager or a member of senior management, or report a concern or possible violation through EPCOR's Integrity Hotline (for concerns or violations with respect to the Canadian Ethics Policy) or EPCOR's Compliance Hotline (for concerns with the U.S. Ethics Policy). These hotlines operate in a fashion that ensures confidentiality.

The Corporation investigates complaints thoroughly and promptly. An investigation may involve review of documents and interviews of employees, contractors or agents in order to corroborate facts. The Corporation's goal is to keep every complaint, investigation and resolution as confidential as possible, and take corrective action as appropriate. A written report is completed on every investigation process and the outcome is maintained in the Corporation's files. All of the Corporation's employees are required to participate in ethics training every two years.

Nomination of Directors

The Board is a competency-based board. Suitability as a director is based on a balance of personal characteristics, applicable experience, specialized knowledge, technical skills and affiliations. The CG&N Committee keeps matrices, which identify the skills, expertise, knowledge, education and experience of the existing Board and areas where the Board requires certain skills, expertise, knowledge, education and experience. EPCOR's Board Recruitment and Appointment Procedure was approved by the City on November 9, 2012. In accordance with that procedure, new candidates are identified by the CG&N Committee with a view to matching their attributes with the attributes collectively required by the Board.

The City, as sole shareholder, is responsible for the appointment and re-appointment of the Chair and directors of the Corporation. The candidates recommended by the Board may then be interviewed by the City, which then appoints the new Board members. The Corporation does not impose a mandatory retirement age for Board members.

Director and Executive Compensation

The CG&N Committee's Terms of Reference prescribe regular review of director compensation. The CG&N Committee considers time commitment, comparative fees, and responsibilities related to remuneration for directors. On the advice of the CG&N Committee, the Chair of the Board makes recommendations to the City in order to determine directors' compensation. The CG&N Committee receives independent advice in respect of directors' compensation from Willis Towers Watson Public Limited Company (WTW).

The compensation of the members of the executive team, including the Chief Executive Officer's compensation, is approved by the Board on the basis of recommendations from the HR&C Committee. As further described herein, among other things, through use of an independent executive compensation consultant, considering comparable market data from third party surveys to provide an initial reference point for assessing present and determining future compensation levels, and having the Board approve director and officer compensation policies recommended by the HR&C Committee, the Board ensures that the HR&C Committee has in place an objective process for determining compensation for directors and officers.

Standing Committees

The Board has established the following standing committees: (i) Audit Committee; (ii) HR&C Committee; (iii) Environment, Health & Safety Committee (EH&S Committee); and (iv) CG&N Committee. The members of the four standing committees as of the date of this AIF were as detailed below:

Directors	Audit Committee	HR&C Committee	EH&S Committee	CG&N Committee
Hugh J. Bolton	Ex-officio	Ex-officio	Ex-officio	Ex-officio
Vito Culmone	Chair	✓		
Robert G. Foster			Chair	✓
Allister J. McPherson	✓	Chair		
Douglas H. Mitchell			✓	✓
Laurence M. Pollock		✓		Chair
Catherine M. Roozen	✓		✓	
Helen K. Sinclair	✓	✓		
Nizar Jaffer Somji	✓	✓		
Sheila C. Weatherill			✓	✓

The functions of the four standing committees are as follows:

<u>Audit Committee</u>

The Corporation's Audit Committee operates under the "Audit Committee Terms of Reference" attached as Appendix I to this AIF.

<u>HR&C Committee</u>

The HR&C Committee assists the Board in fulfilling its responsibilities relating to human resources matters including compensation, evaluation and succession of employees of the Corporation.

<u>EH&S Committee</u>

The EH&S Committee monitors, evaluates, advises, makes recommendations and has general oversight on matters relating to the impact of the operations of the Corporation on the environment and workplace health and safety of its employees.

<u>CG&N Committee</u>

The Corporation's CG&N Committee ensures appropriate structures, processes and policies are in place to address governance matters and maintain compliance with governance guidelines. It also manages the procedures related to the appointment of new directors and re-appointment of existing directors. The CG&N Committee identifies new candidates and recommends appointments to the Board for further recommendation to the City.

Assessments

The CG&N Committee reviews, monitors and makes recommendations on the effectiveness of the Board. Directors are annually surveyed on the effectiveness of the Board and its committees. With a view to obtaining constructive feedback, the Board annually considers the manner in which it will monitor its effectiveness, its committees and individual Board members. In the past, the Board has chosen to use varying methods, including: (i) retaining an external consultant to interview all members of the Board; (ii) having the Chair of the Board or the CG&N Committee interview all members of the Board; and (iii) having all members of the Board complete confidential surveys and evaluations with respect to each member of the Board. With respect to each of the evaluation methods, the results are compiled and discussed by the Board as a whole. Evaluations focus on individual Board members' attendance, preparation and contributions made during the meetings as well as other matters germane to the performance of the Board, its committees and individual directors.

AUDIT COMMITTEE INFORMATION

AUDIT COMMITTEE MANDATE

The Corporation's Audit Committee operates under the "Audit Committee Terms of Reference" attached as Appendix I to this AIF.

COMPOSITION OF THE AUDIT COMMITTEE

The current members of the Audit Committee are outlined above under Standing Committees. Each of the members of the Audit Committee is considered "financially literate" within the meaning of NI 52-110. The education and experience of each director relevant to the performance of a director's duties as a member of the Audit Committee is outlined above under Directors of the Corporation.

POLICIES AND PROCEDURES FOR THE ENGAGEMENT OF AUDIT AND NON-AUDIT SERVICES

Under its Terms of Reference, the Audit Committee is required to pre-approve all non-auditing services to be performed by the external auditors in relation to the Corporation and its subsidiaries. Annually, the external auditors will submit their annual work plan to the Audit Committee, including the nature and scope of any audit-related advisory services (as requested by management) planned for the upcoming year. That plan is reviewed and pre-approved by the Audit Committee. Once pre-approved, management has the authority to schedule the pre-approved services. Any unplanned audit-related advisory services or other advisory services are presented for pre-approval at the regularly scheduled meetings of the Audit Committee. If, due to timing issues, the pre-approval of non-audit services must be expedited and it is not practically possible to wait until the next regularly scheduled Audit Committee meeting, the Chair of the Audit Committee has the delegated authority, on behalf of the Audit Committee, to pre-approve the non-audit services when the individual engagement fees are projected to be less than $50,000 subject to an annual maximum approval limit of $200,000. The pre-approved non-audit services are then ratified at the next Audit Committee meeting.

AUDITOR OF THE CORPORATION AND AUDITOR'S FEES

KPMG LLP, Chartered Accountants has served as the Corporation's auditing firm continuously since 1995. Fees billed by KPMG LLP to the Corporation and its subsidiaries in the years ended December 31, 2015 and December 31, 2014 were approximately $1.1 million and $1.3 million, respectively, as detailed below.

($ millions)	Year Ended December 31, 2015	Year Ended December 31, 2014
Audit fees	$0.9	$0.9
Audit-related fees	0.1	0.1
All other fees	0.1	0.3
Total	$1.1	$1.3

Audit fees

Audit fees billed by KPMG LLP were for professional services rendered for the audit and review of the consolidated financial statements of the Corporation and the financial statements of certain subsidiaries or services provided in connection with statutory and regulatory filings and providing comfort letters associated with securities documents.

Audit-related fees

Audit-related fees billed by KPMG LLP are for assurance and related services that are reasonably related to the performance of the audit or review of the financial statements and are not reported under audit fees listed above. These services include the auditing of financial information contained in securities documents and audit procedures pertaining to acquisitions and joint venture related projects.

All other fees

"All other fees" as listed in the table above include fees billed by KPMG LLP for services other than audit fees, audit-related fees and tax fees, including control effectiveness testing.

COMPENSATION DISCUSSION AND ANALYSIS

The purpose of this Compensation Discussion and Analysis (CD&A) is to provide an overview of EPCOR's executive compensation philosophy, objectives and processes, and describe the compensation decisions made in respect of EPCOR's Named Executive Officers (NEOs). In 2015, EPCOR's NEOs were: Stuart Lee, President and Chief Executive Officer; David Stevens, (former President and Chief Executive Officer); Guy Bridgeman, Senior Vice President and Chief Financial Officer; Joseph Gysel, Senior Vice President, EPCOR Water USA (President, EWUS); Stephen Stanley, Senior Vice President, Commercial Services; and Frank Mannarino, Senior Vice President, Electricity Services.

COMPENSATION GOVERNANCE

HR&C Committee

<u>Mandate</u>

The role of the HR&C Committee with respect to compensation is to:

- Oversee and recommend for approval by the Board, EPCOR's executive compensation philosophy including all forms of compensation for the Chief Executive Officer and each member of the executive team;
- Approve and monitor the general compensation policies and plans for EPCOR; and
- Review and approve the performance measures, payout ranges and resultant incentive plan payouts to ensure risks have been appropriately accounted and adjusted for in alignment with the Corporation's risk tolerance.

In evaluating the degree to which performance measures and targets have been achieved under applicable incentive plans and in determining resulting payouts, the Board applies informed judgment to look beyond the formal measures to consider other elements it believes have significantly impacted overall corporate performance. Such other elements include the consideration of events or circumstances that are outside of management's direct influence or control and management's actions in respect of unplanned events or circumstances.

The HR&C Committee has written terms of reference that establishes its purpose, responsibilities and membership. During 2015, the HR&C Committee met three times. The HR&C Committee undertakes an objective process for determining compensation by holding in-camera sessions at the end of meetings, without management present, and a record is kept of any decisions made during such sessions.

<u>Composition of the HR&C Committee</u>

The current members of the HR&C Committee are outlined above under Standing Committees. The education and experience of each director relevant to the performance of a director's duties as a member of the HR&C Committee is outlined above under Directors of the Corporation.

<u>Independent Executive Compensation Consultant</u>

Since 2001, the HR&C Committee has retained the services of an independent executive compensation consultant, WTW, to provide advice to the HR&C Committee on levels of compensation in the competitive market in which the Corporation operates and on other compensation and governance-related matters such as total compensation benchmarking, comparator group selection and incentive plan design and calibration. WTW provides advice to the HR&C Committee through an individual employed by WTW (the Executive Compensation Consultant). The HR&C Committee has renewed the executive compensation engagement of WTW each year since 2001.

While WTW provides consulting advice and administrative support to the management of the Corporation on pension, general compensation surveys and regulatory rate case matters, WTW is also engaged by the HR&C Committee, independent of management. The Corporation and WTW have taken several steps to maintain the independence of the Executive Compensation Consultant, including ensuring the consultant's pay is not directly affected by any change in services provided by WTW to management or the Board committees. In addition, the Executive Compensation Consultant:

- Is not the client relationship manager;

- Is not involved in any client development activities related to procuring additional consulting services from the Corporation;
- Has limited interactions with management, except as described below, unless they specifically relate to matters for the HR&C Committee's review and approval; and
- Does not share any confidential information obtained through work with the HR&C Committee with other segments of WTW.

The HR&C Committee regularly reviews the Executive Compensation Consultant's mandate and the overall relationship with WTW, including all projects and fees charged. The HR&C Committee has concluded there are adequate safeguards in place to ensure the independence of the Executive Compensation Consultant's advice and recommendations.

WTW has served as a consultant to management of the Corporation continuously for the past 20 years. The services provided to management of the Corporation and the related costs are subject to the Corporation's planning, budgeting and approval processes and costs related to these services are not pre-approved by the HR&C Committee. Fees billed by WTW to the Corporation and its subsidiaries in the years ended December 31, 2015 and December 31, 2014 were $0.45 million and $0.45 million, respectively, as detailed below.

($ millions)	Year Ended December 31, 2015	Year Ended December 31, 2014
Fees paid to Executive Compensation Consultant(1)	$0.21	$0.17
All Other Fees		
Pension and Benefits(2)	0.07	0.07
Regulated Rate Applications(3)	0.13	0.16
Other fees(4)	0.04	0.05
Total	**$0.45**	**$0.45**

(1) Includes advice to the HR&C Committee on levels of compensation in the competitive market in which the Corporation operates and on other compensation matters such as total compensation benchmarking, comparator group selection, incentive plan design and calibration, and trends in executive compensation practices and governance.
(2) Includes actuarial and consulting services related to pension plan design, pension benefit calculations and benefit survey participation.
(3) WTW provides advice, evidence and appears as an expert witness (when required) in respect of EPCOR's EDTI and Energy Services rate application proceedings before the AUC.
(4) Includes management compensation surveys and accounting and actuarial reporting for the Corporation's annual consolidated financial statements.

Compensation Approval Process

In determining the compensation arrangements for each of the Corporation's executives, the HR&C Committee considers a comprehensive market analysis. The analysis includes market data prepared by WTW for similar positions within the comparator group, as discussed in further detail in the Comparator Group section below, and the Chief Executive Officer's recommendations for his direct reports, including all of the other NEOs.

The HR&C Committee reviews the various compensation elements for individual executives and in aggregate to evaluate internal equity and seek alignment with program objectives and alignment to the Corporation's overall business strategies. The HR&C Committee then makes recommendations on all executive compensation elements to the Board for approval. The Board also ensures that the individual performance objectives for the Chief Executive Officer and other NEOs align with the Corporation's business objectives and reflect performance areas that are specific to each role when it reviews and approves his or her total compensation.

Risk Mitigation

EPCOR is primarily a rate regulated entity with very limited opportunities for excessive risk taking. The HR&C Committee is responsible, with assistance from its advisors and management, for identifying the potential risks associated with the compensation policies and practices and for developing and monitoring compliance with such policies and practices.

In 2015, the HR&C Committee requested the Executive Compensation Consultant to review the Corporation's compensation policy and programs for its executive team and the related governance structure and to assess any potential risk implications. The Executive Compensation Consultant concluded that there did not appear to be significant risks arising from the programs and structure that were reasonably likely to have an adverse effect on the Corporation.

The HR&C Committee has implemented a range of compensation policies and practices to incent the right behaviours and prevent excessive or undue risk-taking by management, as highlighted in the table below.

Policy/Practice	Description
Compensation Philosophy	Compensation is designed and delivered in accordance with a detailed compensation philosophy.
Ethics & Compliance Policies	Management rigorously enforces EPCOR's Ethics Policy. Quarterly compliance reports are submitted to EPCOR's Compliance Officer by all executive and senior officers indicating compliance with EPCOR policies in their area of responsibility (or the nature of any non-compliance).
Regulatory Review	External rate regulators review operating forecasts (which include compensation) and capital programs as part of rate tariff proceedings.
Structured Review and Approval Process	All aspects of the executive compensation program, including the compensation policy, annual compensation budgets, incentive metrics and executive pay levels are presented to the HR&C Committee for review and recommendation to the Board for approval. With respect to short-term and mid-term incentive plans: • Actual performance against short-term incentive metrics is audited internally. • The annual capital expenditure budget (including sustaining capital) and larger growth-related capital projects or investments that impact mid-term incentive payout opportunities are annually approved by the Board.
Independent Compensation Advice	The HR&C Committee retains WTW to assist and guide them in all executive compensation and benefit matters.
External Benchmarking	Total compensation is targeted at the 50th percentile of the market, based on a comparator group that is reviewed by the HR&C Committee. In addition, management participates in multiple external salary survey programs to obtain and maintain current market data, which is presented to the HR&C Committee in conjunction with the annual compensation cycle.
Pay-for-Performance	Approximately 23% of the executive team's total direct compensation is delivered through variable pay and 31% through longer-term variable pay, which provides strong pay-for-performance alignment over multiple time periods.
Multiple Performance Metrics	The Short-term Incentive Plan (STIP) is designed using a scorecard approach measuring a series of financial, safety, operational and customer metrics thereby minimizing the risk that one metric will overly influence payout results. Mid-Term Incentive Plan (MTIP) metrics measure capital and income growth to help monitor performance of capital investment decisions.
Robust Target Setting Process	Performance targets are set in consideration of multiple factors, including historical trends, with a view to raising performance expectations on an annual basis.
Incentive Funding & Payout Caps	The amount of funding available for distribution under the STIP is capped at a maximum of 200% of aggregate target awards. Further, individual awards under the MTIP are capped at 200% of target.
Application of informed judgment	When determining final compensation, the HR&C Committee and the Board may apply informed judgment to adjust the value of awards. This ensures that the awards appropriately take account of associated risks and other unexpected circumstances that arise during the year.
Clawback Policy	Allows the Board to seek reimbursement of full or partial compensation applicable to short-term or mid-term incentive awards under specified scenarios for the executive team.
Status Reports and Communication	The HR&C Committee and the Board receive regular updates in respect of all aspects of compensation program design. Specifically: • The HR&C Committee receives updates on EPCOR's performance against STIP and MTIP performance targets and estimated payout levels throughout the year. • Labour negotiating mandates are presented in advance to the HR&C Committee for review and approval and post-negotiation outcomes are presented to the HR&C Committee. • Post implementation reviews of capital investments and resultant profitability are conducted internally by management and presented to the Board for information.

After considering the potential risks associated with EPCOR's compensation program, including the Executive Compensation Consultant's review of the policies and practices outlined above, the Board believes that:

- EPCOR has the proper practices in place to effectively identify and mitigate potential risks; and
- EPCOR's compensation policies and practices do not encourage any employee to take inappropriate or excessive risks, and are not reasonably likely to lead to an event which would have a material adverse effect on the Corporation.

COMPENSATION PHILOSOPHY

Guiding Principles

EPCOR's compensation programs are grounded on principles that support the management of risk, ensuring management's plans and activities are prudent and focused on generating shareholder value within an effective risk control environment. The following principles form EPCOR's compensation philosophy:

Principle	Compensation Programs
Stakeholder Interests	• Recognize EPCOR's role as a significant Alberta employer and service provider, taking into account the unique interests of its shareholder, employees, customers, and regulatory stakeholders.
Link to Strategy	• Link to the successful execution of EPCOR's business strategy and support its focus areas of: (i) people; (ii) health, safety and environment; (iii) operational excellence; (iv) customers and stakeholders; and (v) growth.
Long-term Value Creation	• Support strategic business objectives of prudent, sustainable and profitable growth while funding shareholder dividends at acceptable levels.
Pay-for-Performance	• Promote a performance culture that rewards superior corporate, business unit and individual performance and results. • Align compensation costs with affordability and business growth.
Career Oriented	• Reinforce a long-term career orientation that reflects the deep technical skill sets required to support key focus areas.
Market Competitive	• Support the attraction, retention and engagement of high performing talent through competitive compensation opportunities.
Simple and Integrated	• Are simple to understand and administer, and communicated in a way that the integrated value of monetary and non-monetary rewards is understood.

Target Competitive Positioning

Individual compensation arrangements are designed to be market-competitive in order to attract, engage and retain highly qualified leaders. Market competitiveness is defined as maintaining, in aggregate, a 50th percentile (or median) target total compensation level relative to EPCOR's approved comparator groups, consisting of organizations with similar operations, degrees of complexity and employee skill sets. Total actual compensation may be positioned above the 50th percentile in the event of superior performance by the Corporation, business unit and/or the individual. Where performance does not meet some or all of the stated objectives, total actual compensation could be positioned below the 50th percentile.

Comparator Group

For purposes of benchmarking market compensation levels and assessing alignment with its stated competitive positioning philosophy, EPCOR has developed a compensation comparator group (comparator group) that represents the labour market in which the organization competes for talent. As part of its annual compensation review, the Corporation considers comparator group data from third party surveys to provide an initial reference point for assessing present and determining future compensation levels.

The composition of the Corporation's comparator group is reviewed annually for continued relevance by WTW and the HR&C Committee. The guiding principles for consideration of businesses for inclusion in the comparator group are:

- Industry: Energy utilities and pipeline organizations;
- Market for talent: Resource-based organizations, particularly in the Alberta energy sector;
- Company size: As a major employer in Alberta, EPCOR competes against organizations of all sizes for skilled professionals and executives;
- Geography: Operations in Western Canada;
- Organizational complexity: Regulated and non-regulated business components; and
- Business characteristics: Capital intensive organizations.

Based on the above criteria, the comparator group used to assess pay levels in 2015 was comprised of the following companies:

- Alberta Electric System Operator
- Alliance Pipeline Limited Partnership
- AltaGas Ltd.
- AltaLink Management Ltd.
- ATCO Group (ATCO Electric, ATCO Power and ATCO Gas)
- British Columbia Hydro and Power Authority
- Capital Power Corporation
- City of Medicine Hat (Hydro Division)
- Enbridge Inc.
- ENMAX Corporation
- FortisAlberta Inc.
- FortisBC (Terasen Gas)
- Kinder Morgan Canada
- Pacific Northern Gas
- SaskEnergy
- SaskPower
- Spectra Energy Transmission
- TransAlta Corporation
- TransCanada Corporation

Market survey results reviewed by the HR&C Committee may be prepared using a methodology generally referred to as “size-adjusting”. Since organization size is often a key factor in determining executive compensation levels, regression analysis is used when appropriate to “size-adjust” the market data using a variable such as annual revenue to account for differences in the size and complexity of companies in the comparator group and those of the Corporation. This technique enables compensation practices from a range of organizations within the Corporation’s targeted industry sector to be analyzed and considered. The HR&C Committee also considers “raw” unadjusted market data as a secondary reference point and/or where robust size-adjusted data is unavailable. In 2015, EPCOR was positioned around the median of the comparator group based on revenue.

Compensation Elements and Target Mix

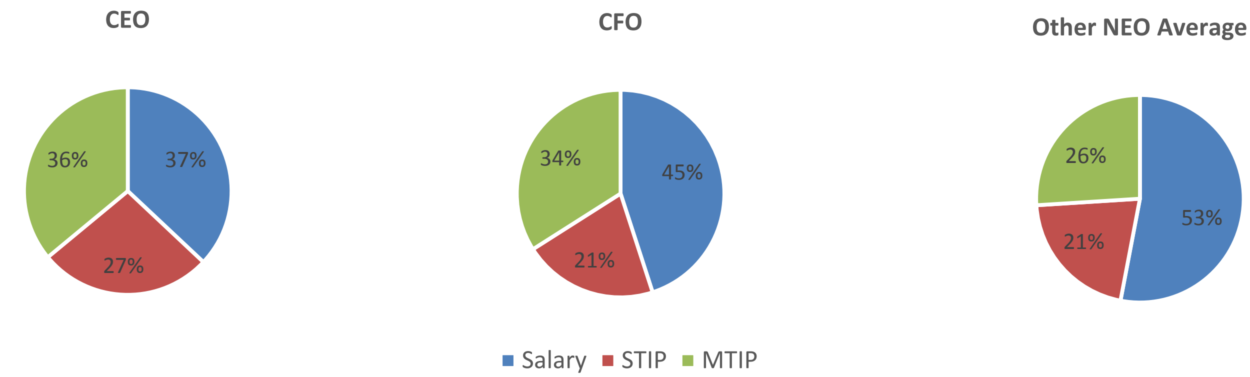
The compensation philosophy has guided the development of an executive compensation model that includes a mix of base salary, short-term incentives, mid-term incentives and pension and benefits.

Base salary	STIP	MTIP	Benefits and Pension
Fixed level of compensation based on specified accountabilities.	Designed to reward executives for achievement of annual corporate, business unit and individual targets that support the Corporation’s strategic direction.	Designed to align executive and shareholder interests by focusing executives on the Corporation's longer-term strategic objectives and sustained value creation.	Market competitive health, retirement and other benefits.

Total direct compensation represents the combined value of fixed compensation and performance-based variable compensation. For executives, a significant focus is on performance-related compensation (short and mid-term incentives). The relative weighting on base salary, short and mid-term incentives for each executive takes into account the executive's role and level in the Corporation, his or her ability to influence short and longer-term business results and the compensation mix for similar positions in the competitive market.

To assist in determining the values to be allocated to each compensation element for the NEOs, the HR&C Committee reviews competitive market data for similar positions within EPCOR's comparator group, including data provided by WTW.

The pie charts below outline the target compensation mix for the CEO, CFO and average of other NEOs in 2015:



2015 NEO COMPENSATION DECISIONS

STIP Compensation

The Corporation's STIP is designed to place focus on the importance of achieving safety metrics while continuing to recognize business unit operational efficiency, customer and financial performance metrics. The STIP also allows management to allocate STIP payments on a discretionary basis (taking into account individual performance) within a budget both determined and funded by corporate and business unit results.

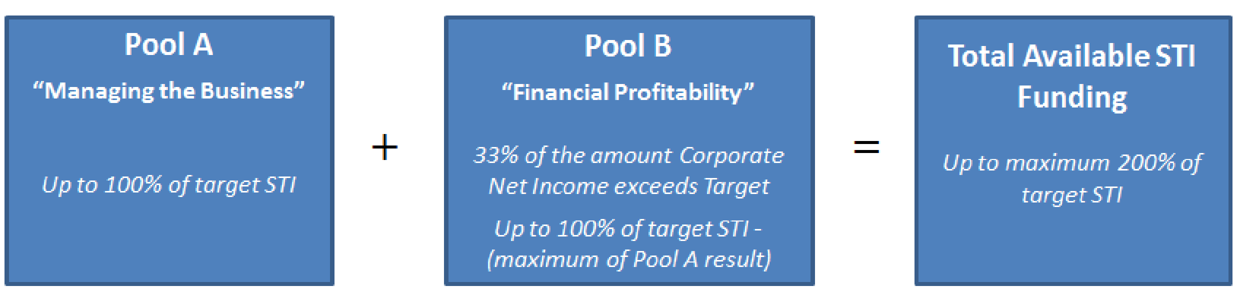
<u>2015 STIP Target Awards</u>

NEOs are eligible for annual target awards under the STIP, as recommended by the HR&C Committee and approved by the Board. Awards are payable the following year, subject to the achievement of corporate, business unit and individual performance objectives.

Individual target award levels are expressed as a percentage of salary and generally align with the median of the comparator group for positions with similar responsibilities to those of the Corporation. In 2015, NEO STIP target award levels were 75% for Mr. Stevens and Mr. Lee, 45% for Dr. Bridgeman and 40% for other NEOs. The STIP target award represents the amount that could be paid if performance objectives were achieved at target levels. Actual STIP payouts may be above or below target award levels depending on plan funding (as described in detail below) and individual performance results. The aggregate payment of individual STIP awards cannot exceed the overall approved plan funding.

<u>2015 STIP Plan Funding</u>

STIP awards are funded based on a scorecard approach which considers performance against business unit and/or consolidated net income and operational business unit objectives. The aggregate amount of STIP funds available for payment to eligible employees is derived based on two pools, as follows:



STIP Pool A is established based on performance against pre-determined financial, safety, operational efficiency and customer service metrics at the business unit or consolidated level, which are approved by the HR&C Committee of the Board of Directors annually. For 2015, the STIP Pool A performance measures and respective weights were as follows:

Performance Metric	2015 STIP Pool A Weighting						
	Water Canada	Water USA	Electricity Operations	Technologies	Energy Services	Commercial Services	Corporate*
Consolidated Net Income	-	-	-	-	-	10%	10%
Business Unit Net Income	10%	10%	10%	10%	10%	-	-
BU Metrics: • Safety • Operational Efficiency • Customer Service	 30% 30% 30%	 30% 30% 30%	 30% 30% 30%	 30% 30% 30%	 30% 30% 30%	 30% 40% 20%	 30% 60% -

* *Corporate consists of all corporate departments (except Finance employees embedded in business units) reporting to the SVP & CFO, SVP Corporate Services or General Counsel & Corporate Secretary. The Chief Executive Officer's performance is based on the average results achieved by his direct reports.*

Each metric is evaluated relative to a pre-determined performance scale which provides for a payout of 50% of target at threshold (minimum) performance levels, 100% of target at target performance levels and 150% of target at stretch (maximum) performance levels. No amount is payable for a given metric if threshold performance is not achieved.

Overall performance is determined using aggregate results for all metrics. To recognize the importance of safety as a key component of the Corporation's culture, safety results below target cannot be offset by higher performance of one of the other performance metrics. As such, Pool A funding will reflect the degree to which a specific safety metric falls below target. Further, maximum funding for STIP Pool A is capped at 100% of target (being the sum of target STIP amounts for all employees eligible to participate in the corporate STIP).

STIP Pool B is triggered and funded if actual Consolidated Net Income exceeds the pre-determined target level. Up to 33% of the excess Consolidated Net Income achieved between target and stretch performance levels may be allocated to STIP Pool B. However, any allocated amount is subject to a cap of 100% of the aggregate funding for STIP Pool A. This approach reinforces the importance of growing the business and maximizing EPCOR's overall profitability and shareholder return.

<u>2015 STIP Awards</u>

Actual 2015 STIP awards for each NEO reflect a combination of corporate, business unit and individual performance achievement, as follows:

- Corporate Performance – The Consolidated Net Income performance objective is intended to reflect the executives' responsibilities, through the management of their respective business units or corporate departments, towards the Corporation achieving its short-term profitability objective. Consolidated Net Income for STIP purposes is calculated based on net income excluding any income, gains, losses or adjustments related to its financial interest in Capital Power. Actual 2015 Consolidated Net Income for STIP purposes was $241.68 million, relative to a target of $192.68 million, resulting in a corporate performance factor of 125.4% of target

- Business Unit Performance – The NEOs are accountable for the performance of their specific business units. Accordingly, the overall STIP pool funding is allocated to each business unit based on overall financial and operational business unit results (safety, operational efficiency and customer service). In 2015, business unit funding allocations ranged from 195.2% - 200.0% of target.

- Individual Performance – Individual executive performance objectives are pre-established through EPCOR's performance management program and are intended to align with annual corporate objectives and each NEO's respective responsibilities. Although NEOs are accountable for the performance of their specific business units, they have common key accountabilities including the following:
    - Provide input to the EPCOR strategic plans and directions, ensure an appropriate understanding of the EPCOR strategy throughout the business unit and ensure ongoing effective positioning and appropriate relationships between that business unit and the rest of EPCOR; and

- Formulate and implement business plans and strategies to provide for profitable operations, to meet short-term objectives and to ensure long-term corporate growth and success. This includes ensuring the required organizational structure and achieving the required outcomes with time spans (longest target completion time) ranging from 5-10 years.

Individual 2015 STIP performance objectives and results for each NEO were as follows:

Name	Individual Performance Objectives for 2015	2015 Results
Stuart Lee	• Develop and execute EPCOR's long-term plan. • Develop and foster a zero injury safety culture. • Deliver on 2015 operating budget including dividend payment. • Develop and coach senior management talent. • Maintain shareholder and customer relations.	Partial year in the role, met and in some cases exceeded expectations.
Guy Bridgeman	• Deliver cost effective financing for the business. • Deliver timely accurate financial reporting. • Develop and foster a zero injury safety culture. • Deliver appropriate cash management and treasury functions. • Deliver prudent tax planning and tax compliance. • Develop and coach senior management talent. • Oversee and manage Internal Audit and Enterprise Risk Management functions. • Oversee the Energy Services business unit. • Lead the Corporate Long Term Strategic Planning process.	Met and in some cases exceeded expectations.
Joseph Gysel	• Produce and deliver water to customers in Arizona and New Mexico in a safe, environmentally responsible, reliable and competitively priced manner. • Meet all operating and financial targets; focusing on lower operating costs and capital investment optimization. • Support the acquisition implementation, growth and expansion of the U.S. operations. • Develop and foster a zero injury safety culture. • Provide Water Services leadership in Arizona and New Mexico through coaching and staff development, succession planning and thought leadership in the water business. • Direct the Encor rollout and operations.	Met and in some cases exceeded expectations.
Stephen Stanley	• Lead Commercial Services business unit, developing growth objectives and deliver on opportunities identified for 2015. • Meet all operating and financial targets for Technologies and Commercial Services. • Develop and foster a zero injury safety culture. • Lead reorganization of Technologies with focus on core operations and smart growth. • Ensure the Regina wastewater project remains on time and on budget.	Met and in some cases exceeded expectations.
Frank Mannarino	• Produce and deliver electricity to customers in Edmonton in a safe, environmentally responsible, reliable and competitively priced manner. • Meet all operating and financial targets. • Lead reorganization of Distribution and Transmission operations to drive efficiencies and build technical operations depth. • Develop and foster a zero injury safety culture. • Implement technologies to support operational excellence; OMS/DMS, AMI and fleet telematics. • Maintain and improve customer service and relationships with key stakeholders.	Met and in some cases exceeded expectations.

Performance against individual objectives is reviewed following the completion of the fiscal year and each NEO receives a performance rating reflecting the degree to which business unit objectives and individual performance were achieved. Individual performance ratings are used to determine the overall STIP award for each NEO.

The table below summarizes the STIP result and payout for each executive for 2015:

Executive	2015 Base salary (annualized) (CAD$)	STIP Target Award (% of base salary)	STIP Result (% of Target)	STIP Payment [1] ($)
Stuart Lee	550,000	75	185	237,416[2]
David Stevens	650,000	75	100	175,000[3]
Guy Bridgeman	346,725	45	185	288,649
Joseph Gysel	414,907	40	185	307,031
Stephen Stanley	296,400	40	230	272,688
Frank Mannarino	274,275	40	185	202,964

(1) Represents STIP award (in Canadian currency) earned for 2015 performance and paid in 2016.
(2) Mr. Lee's 2015 STIP was pro-rated based on his employment from September 1, 2015 to December 26, 2015.
(3) Mr. Stevens' 2015 STIP was pro-rated and paid at 50% of target as of his retirement on September 1, 2015.

MTIP Compensation

The Corporation's MTIP rewards for sustained value creation and dividend growth and is designed to align the longer-term interests of NEOs with those of the shareholder. The MTIP emphasizes the efficient management of capital and achievement of long-term profitability objectives. As EPCOR is wholly-owned by the City, EPCOR does not grant equity securities as compensation to employees or its directors.

<u>2015 MTIP Target Awards</u>

NEOs are eligible for annual target awards under the MTIP, as recommended by the HR&C Committee and approved by the Board. The awards are eligible to vest and become payable at the end of each three-year performance cycle, subject to pro-rated payouts on retirement, death or disability. Pro-rated payouts are based on the number of full months an employee was actively employed by the Corporation during applicable three-year periods.

Target award levels are expressed as a percentage of salary and generally align with the median of the comparator group for positions with similar responsibilities to those of the Corporation's MTIP participants. In 2015, NEO target award levels were 100% for Mr. Stevens and Mr. Lee, 75% for Dr. Bridgeman and 50% for other NEOs. The target award represents the amount that would be paid if the performance objectives were achieved at target. The plan is funded using a target calculation approach as illustrated below:

Base Salary (e.g. $300,000)	X	MTIP Target Award (e.g. 50%)	X	Actual MTIP Payout % (e.g. 100%)	=	MTIP Award (e.g. $150,000)

<u>2015 MTIP Performance Measures</u>

The performance objectives in respect of 2015 MTIP awards include two equally weighted components, measured by their compound annual growth rate (CAGR) over a three year performance period: (a) Property, Plant &Equipment (PP&E) growth; and (b) Consolidated Net Income growth.

The PP&E growth metric is well aligned with the Corporation's primary corporate strategy to place capital and is a leading indicator of future earnings growth. Further, the measure is reasonably stable across most utilities and is easily understood by all participants, facilitating effective line of sight. In addition to tangible assets, PP&E growth calculations incorporate items such as intangible assets, long-term receivables and lease assets that relate to the design, build, finance and operate contracts.

The Consolidated Net Income growth metric provides focus on increasing the income generated from EPCOR's existing assets and finding significant investment capital to yield long-term earnings growth. For purposes of the MTIP, Consolidated Net Income growth is normalized to exclude gains and losses related to the investment in

Capital Power as explained above, as well as certain unrealized gains and losses related to interest rate swaps and other financial derivatives, and provincial transmission flow-through impacts.

The following table illustrates the performance standards and associated payout levels in respect of 2015 MTIP awards (to be paid out in 2018, if performance warrants). The threshold, target and stretch performance standards were determined in consideration of a number of factors, primarily driven by EPCOR's long-term strategic plan, historical performance among peer companies and defined objectives for capital allocation and net income generation.

Performance Level	CAGR PP&E (50% Weighting)	CAGR Consolidated Net Income (50% Weighting)	Payout as a % of Target
Below Threshold	< 7%	< 4%	0%
Threshold	7%	4%	50%
Target	8%	5%	100%
Stretch	9%	6%	200%

<u>2012 MTIP Awards (paid out in 2015)</u>

Target MTIP awards were provided to eligible NEOs in 2012, with payment made in 2015 based on the Corporation's PP&E growth performance. The strong performance results were driven by a combination of organic growth and the Corporation's acquisition of Arizona and New Mexico water businesses in 2012. The table below summarizes actual performance achieved relative to target and the associated payout factor.

	CAGR PP&E (100% weighting)			
	Threshold	Target	Maximum	Actual (2012 – 2014)
Performance	7%	8%	9%	**16.37%**
Payout as a % of Target	50%	100%	200%	**200%**

The value of awards paid to eligible NEOs in respect of 2012 MTIP awards is provided under "Non-Equity Incentive Plan Compensation – Longer-Term Incentive Plans" within the Summary Compensation Table below.

BENEFIT AND PENSION PLANS

The Corporation's benefit and pension plans support the well-being of employees and facilitate retirement savings. The plans are reviewed periodically to determine whether they are competitive and whether they continue to meet the Corporation's business and human resources objectives.

Health and Welfare Benefits

The health and welfare benefit plans are designed to support ongoing wellness, protect the health of employees and their dependents and cover them in the event of death or disability. The executive officers participate in the same benefits program as all other permanent employees of the Corporation. EPCOR provides executives with an annual taxable Executive Benefit Allowance (EBA), paid on a bi-weekly basis, that offsets the costs associated with the benefits and pension plans. The Chief Executive Officer's EBA also covers the cost of completing annual personal income tax filings.

Executive Business Allowance

Executive officers are provided with an annual taxable allowance that can be used to offset the cost of a variety of business related expenses including but not limited to club and business memberships and other out-of-pocket costs associated with performing the duties of the position.

EPCOR Savings Plan

Under the voluntary EPCOR Savings Plan, all Canadian based non-bargaining unit employees may contribute up to 10% of their base salary towards either registered or non-registered accounts with a range of investment options. EPCOR matches employee contributions to a maximum of 5% of base salary.

Defined Benefit Pension Plan

The NEOs participate in the Local Authorities Pension Plan (LAPP), a contributory, defined benefit, highest average earnings pension plan that is currently governed by the *Public Sector Pension Plans Act* (Alberta). The LAPP is a multi-employer pension plan covering approximately 152,600 active employees of Alberta municipalities, hospitals and other public entities as at December 31, 2014.

Supplemental Retirement Plans

EPCOR has two supplemental retirement plans (Supplemental Retirement Plans) that provide benefits that cannot be paid by the LAPP due to the *Income Tax Act* (Canada) limits on earnings.

Effective January 1, 2000, EPCOR adopted a Defined Benefit Supplemental Retirement Plan (DB SRP) for management employees whose earnings exceed the *Income Tax Act* (Canada) limits (base salary plus target short-term incentive). Mr. Lee, Dr. Bridgeman, Mr. Gysel, Dr. Stanley and Mr. Mannarino participate in the DB SRP, which is a non-contributory, defined benefit, best average earnings plan.

As of June 30, 2012, the DB SRP described above was closed to new participants; although Mr. Lee's participation was grandfathered as he was previously an employee of EPCOR as a participant in the plan. Since July 1, 2012, new participants are provided with a Defined Contribution Supplemental Retirement Plan (DC SRP) for eligible earnings that exceed the *Income Tax Act* (Canada) limits. Prior to his retirement, Mr. Stevens participated in the DC SRP, which is a company contribution only, defined contribution plan.

SUMMARY COMPENSATION TABLE

The following table provides a summary of compensation for each of the NEOs in 2015

			Non-Equity Incentive Plan Compensation				
Name and Principal Position	**Year**	**Salary (1) ($)**	**Annual Incentive Plans (2) ($)**	**Longer-Term Incentive Plans (3) ($)**	**Pension Value (4) ($)**	**All Other Compensation ($)**	**Total Compensation(5) ($)**
Stuart Lee President and Chief Executive Officer	2015	177,692(6)	237,416(6)	-	851,514	202,285(7)	1,468,907
David Stevens Former President and Chief Executive Officer	2015 2014 2013	492,885 639,423 475,385(12)	175,000(8) 1,100,000 810,000	413,195(8) - -	15,575(9) 22,097(9) 19,664(9)	66,704(10) 220,672(11) 370,730(13)	1,163,359 1,982,192 1,675,779
Guy Bridgeman Senior Vice President and Chief Financial Officer	2015 2014 2013	356,904 324,231 284,231	288,649 301,500 206,500	204,000 147,000 99,000	117,393 288,892 279,555	61,682(14) 58,391(15) 54,171(16)	1,028,628 1,120,014 923,457
Joseph Gysel Senior Vice President, EPCOR Water USA (President, EWUS)	2015(17) 2014 2013	414,907 355,642 323,095	307,031 286,762 194,689	396,428 196,413 135,252	46,230 83,995 111,150	87,998(18) 74,365(19) 69,734(20)	1,252,594 997,177 833,920
Stephen Stanley Senior Vice President, Commercial Services	2015 2014 2013	316,800 293,331 282,308	272,688 219,336 199,500	275,000 195,000 131,300	32,781 89,052 82,860	63,095(21) 60,255(22) 56,874(23)	960,364 856,974 752,842
Frank Mannarino Senior Vice President, Electricity Services	2015 2014 2013	293,824 271,778 260,373	202,964 213,935 159,000	151,200 109,050 -	67,049 75,811 98,200	61,858(24) 57,860(25) 118,426(26)	776,895 728,434 635,999

General Notes:

(1) EPCOR adjusted base salaries effective March 24, 2013, March 23, 2014 and March 22, 2015. Salaries reflect actual amounts earned in 2013, 2014 and 2015 rather than the annualized salaries approved by the Board.
(2) Represents STIP award earned for the stated year's performance and paid in the subsequent year.
(3) Reflects MTIP payments in respect of the three-year performance period ending in the previous year.
(4) This column shows the compensatory value of defined benefit and defined contribution pension entitlements. For the defined benefit plan, the compensatory value equals the supplemental plan employer current service cost, plus any change in the supplemental plan obligation resulting from compensation increases that are different than the actuarial assumptions, plus, if applicable, employer contributions to the LAPP. Actual compensation increases may vary from the actuarial assumptions. For the defined contribution plan, the compensatory value reflects employer contributions.
(5) All compensation is reported in Canadian currency. Joseph G. Gysel was paid in U.S. currency with all U.S. dollars paid converted to Canadian currency using the average Canada/U.S. exchange rates as used in the Corporation's consolidated financial statements for the years ended December 31, 2015, 2014 and 2013. The average exchange rate was US$1 to CDN$1.2788 in 2015, US$1 to CDN$1.1048 in 2014, and USD$1 to CDN$1.0301 in 2013.

Stuart Lee *(Appointed to CEO position effective September 1, 2015)*

(6) Mr. Lee's salary and short-term incentive payment were reflective of his employment from September 1, 2015 to December 26, 2015.
(7) Includes a one-time signing bonus of $175,000.

David Stevens *(Retired as CEO effective September 1, 2015)*

(8) Mr. Stevens received pro-rated incentive payments for his service up to September 1, 2015.
(9) Includes employer contributions into LAPP.
(10) Includes an executive benefit allowance of $17,359, an executive business allowance of $18,269 and a matching contribution under the EPCOR Savings Plan of $23,702.
(11) Includes the DC SRP employer contribution of $130,488 received in January 2015 for service accrued in 2014.
(12) Mr. Stevens' pay for 2013 represents the amount paid within the timeframe of March 1, 2013 to December 14, 2013.
(13) Includes a one-time moving allowance of $100,000, a one-time signing bonus of $100,000, and the DC SRP employer contribution of $106,291 received in January 2014 for service accrued in 2013.

Guy Bridgeman *(appointed to CFO position in 2013)*

(14) Includes an executive benefit allowance of $22,327, an executive business allowance of $20,769 and a matching contribution under the EPCOR Savings Plan of $17,845.
(15) Includes an executive benefit allowance of $21,500, an executive business allowance of $20,000 and a matching contribution under the EPCOR Savings Plan of $16,212.
(16) Includes an executive benefit allowance of $19,300 and an executive business allowance of $20,000.

Joseph Gysel

(17) Mr. Gysel's was paid in U.S. currency – the 2015 amounts paid in U.S. dollars were:
Salary - $335,850, Annual Incentive - $240,093, Longer-Term Incentive - $310,000 and Other Compensation - $68,813
(18) Includes an executive benefit allowance of $48,240.
(19) Includes an executive benefit allowance of $39,933.
(20) Includes an executive benefit allowance of $34,647.

Stephen Stanley

(21) Includes an executive benefit allowance of $22,327 and an executive business allowance of $20,769.
(22) Includes an executive benefit allowance of $21,500, an executive business allowance of $20,000 and a matching contribution under the EPCOR Savings Plan of $12,467.
(23) Includes an executive benefit allowance of $19,300 and an executive business allowance of $20,000.

Frank Mannarino

(24) Includes an executive benefit allowance of $22,327 and an executive business allowance of $20,769.
(25) Includes an executive benefit allowance of $21,500 and an executive business allowance of $18,654.
(26) Includes a one-time signing bonus of $75,000.

Outstanding MTIP Awards

The following table outlines the respective values of outstanding MTIP awards (at target performance levels) made in 2015, 2014, and 2013 for each NEO.

MTIP Grants (1)	Stuart Lee	David Stevens(2)	Guy Bridgeman	Joseph Gysel(3)	Stephen Stanley	Frank Mannarino
2015 *(payable in 2018)*	$550,000	$650,000	$260,100	$162,300	$148,200	$137,200
2014 *(payable in 2017)*	-	$650,000	$251,300	$162,300	$148,200	$137,200
2013 *(payable in 2016)*	-	$450,000	$147,500	$157,500	$142,500	$77,800

(1) Award amounts are calculated based on each NEOs respective target award as a percentage of salary, and rounded up to the nearest hundred dollars.
(2) All of Mr. Stevens' MTIP awards were pro-rated for service up to September 2015 and paid in his final payout with EPCOR (as described in Employment Agreements section below).
(3) Mr. Gysel's 2013, 2014 and 2015 awards were issued in U.S. dollar amounts and payouts will be converted to Canadian dollar amounts for Summary Compensation Table reporting purposes using Canada/U.S. exchange rates in the years they are paid.

Pension Programs

Benefits payable under the LAPP are based on the average of the highest five consecutive year's pensionable earnings and years of service. Pensionable earnings are equal to base salary plus paid incentive, up to a maximum of 20% of base salary (effective January 1, 2004). Pensionable earnings are limited for each year of service after 1991 to the earnings, which provide the maximum annual accrual under the *Income Tax Act* (Canada) limits.

Subject to *Income Tax Act* (Canada) limits, the benefit formula under the LAPP is 1.4% of the average of the best five consecutive year's annual pensionable earnings up to the average Year's Maximum Pensionable Earnings (YMPE), plus 2% of the average of the best five consecutive year's annual pensionable earnings in excess of the five year average YMPE under the Canada Pension Plan. The benefit formula is multiplied by years of service.

In 2015, employees were required to contribute 10.39% of pensionable earnings up to the YMPE plus 14.84% of pensionable earnings in excess of the YMPE, and EPCOR contributed 11.39% of pensionable earnings up to the YMPE and 15.84% of pensionable earnings in excess of the YMPE.

Plan members may retire with an unreduced pension if the combination of the individual's age and years of pensionable service equals at least 85 and they are at least 55 years of age or at age 65. If they choose to take an early retirement, the pension payable under the LAPP is reduced by 3% for each year that the combination of the individual's age and years of service is less than 85 or for each year the individual is younger than age 65, whichever provides the lesser reduction. No pension is payable if a participant has not completed two years of service.

The pension payable is indexed annually to 60% of the increase in the Alberta consumer price index.

The Supplemental Retirement Plans provide benefits that cannot be paid by the LAPP due to the *Income Tax Act* (Canada) limits on earnings.

- The pensionable earnings defined under the DB SRP include base salary and target short-term incentive (to a maximum of 50%). The benefit formula under the DB SRP is 2% of the average pensionable earnings in excess of the limit on earnings recognized by the LAPP. The benefit formula is multiplied by years of service under the DB SRP commencing no earlier than January 1, 2000. The DB SRP has the same early retirement and indexing provisions as the LAPP.
- The benefit provided under the DC SRP is a percentage of pensionable earnings in excess of the limit on earnings recognized by the LAPP. In January following each plan year, a lump sum amount is paid into the EPCOR Savings Plan account for each member in respect of continuous service during the previous plan year. For members with less than 5 years of continuous service in the plan, 10% of excess earnings is calculated and for members with 5 or more years of continuous service in the plan, 12.5% of excess earnings is calculated. The lump sum amount is subject to all statutory deductions prior to being deposited into the EPCOR Savings Plan.

<u>Pension Plan Table</u>

The following table provides disclosure with respect to the LAPP and EPCOR's DB SRP:

Name	Number of Years of Credited Service(1) (#)	Annual Benefits Payable ($)		Opening Present value of defined benefit obligation(10) ($)	Compensatory Changes (10, 11) ($)	Non-compensatory Changes ($)	Closing Present value of defined benefit obligation(10) ($)
		At Year End(8)	At age 65(9)				
(a)	(b)	(c1)	(c2)	(d)	(e)	(f)	(g)
Stuart Lee	12.3956(6)	143,963	300,249	-	851,514(12)	1,488,355(13)	2,332,873
David Stevens(2)	2.4849	6,858(3)	N/A(3)	-	15,575	-	-
Guy Bridgeman	26.5696(4)	162,190	222,627	1,467,492	117,393	200,589	1,762,987
Joseph Gysel	6.5000(5)	102,368	159,291	1,227,214	46,230	143,786	1,394,743
Stephen Stanley	16.6612(4)	122,480	210,489	1,171,421	32,781	96,686	1,278,401
Frank Mannarino	5.3169(7)	35,139	136,475	276,007	67,049	12,053	332,622

(1) Credited service in respect of the LAPP as at December 31, 2015.
(2) Mr. Stevens participated in the LAPP and the DC provision of the SRP until September 1, 2015. Mr. Stevens had 2.4849 years of credited service under both the LAPP and the DC SRP at the date of his retirement.
(3) As of date of retirement (September 1, 2015). Reflects accrued DB pension under LAPP only, as Mr. Stevens was not accruing a DB pension under the DB SRP.
(4) Credited service under DB SRP is 16 years.
(5) Credited service under DB SRP is 15.3333 years.
(6) Credited service under DB SRP is 12.4452 years.
(7) Credited service under DB SRP is 5.3169 years.
(8) Accrued DB pension under the LAPP and DB SRP as at December 31, 2015 payable at normal retirement age of 65 based on highest average earnings, average YMPE and credited service as at December 31, 2015. An unreduced pension is payable at the earliest of age 65 or 85 points.
(9) Amounts payable on retirement at age 65, assumes continued service accrual to age 65 and that the highest average earnings and estimated average YMPE at age 65, remain unchanged from December 31, 2015.

(10) The defined benefit obligation and service cost for the DB SRP were determined using the same methods and assumptions used to determine accounting information disclosed in EPCOR's financial statements. Accounting entries for the LAPP are recognized on a defined contribution basis; therefore, company contributions to the LAPP are only included in compensatory changes. As a result, columns (d), (e) and (f) do not sum up to column (g).

(11) Includes $22,487 in employer contributions to the LAPP with the exception of Mr. Lee and Mr. Stevens, who contributed $6,996 and $15,575 respectively to the LAPP.

(12) Includes value associated with credited service with a previous employer of 12.1 years granted under the DB SRP effective September 1, 2015 of $2,262,734, offset by the commuted value transfer to EPCOR from a previous employer of $1,493,204. This prior service cost has been measured at September 1, 2015 using a discount rate of 4.25% consistent with the Corporation's accounting policies.

(13) Includes transfer receivable by EPCOR from Mr. Lee's previous employer for the purpose of funding a portion of the member's prior service cost under the DB SRP.

EMPLOYMENT AGREEMENTS

The Corporation entered into employment-related agreements with Mr. Lee and Mr. Stevens. The Corporation does not have employment-related agreements with the other NEOs.

David Stevens

In April 2015, Mr. Stevens announced his impending retirement from EPCOR. The effective date of Mr. Steven's retirement was September 1, 2015. The Corporation and Mr. Stevens entered into a Retirement Agreement, pursuant to which Mr. Stevens received the following compensation and benefits upon his retirement:

Event	Action	Incremental Payment Resulting from Event
Retirement	• STIP for 2015 was pro-rated to September 1, 2015 and paid at 50% of target. • Outstanding MTIP awards for 2013, 2014 and 2015 were pro-rated to September 1, 2015 and paid at 50% of target.	• STIP payment of $175,000 and MTIP payment of $413,195 less applicable deductions and withholding taxes were paid in September 2015.

Stuart Lee

Mr. Lee was appointed President and Chief Executive Officer effective September 1, 2015. Mr. Lee's Executive Employment Agreement is in effect until December 31, 2025. If Mr. Lee was to cease employment with EPCOR, his compensation and benefits would be treated as follows, assuming each event took place on December 31, 2015:

Event	Action	Incremental Payment Resulting from Event
Resignation	• All salary and benefit programs cease. • Annual short-term incentive payment is forfeited. • All mid-term incentives are forfeited. • Vested pension paid as a commuted value.	• No resulting incremental payment.
Death	• All salary and benefit programs cease – survivor health and dental benefits will continue for 24 months. • Annual short-term incentive payment is paid on a pro rata basis coincident with those of active participants. • All unvested mid-term incentives are forfeited. Vested options will be paid at target.	• Lump sum payment of approximately $200,000 minus applicable deductions and withholding taxes.(1)
Termination for Inability to Carry Out Duties(2)	• All salary and benefit programs cease. • Annual short-term incentive payment is paid on a pro rata basis coincident with those of active participants. • All mid-term incentives continue to vest and are settled at the end of the regular performance period. • Following termination, benefits received in accordance with the Corporation's long-term disability plan.	• Long-term disability benefits would continue to be paid by the insurer for the duration of the disability in accordance with plan provisions based on pre-disability coverage (maximum of $20,000 per month).

Termination for cause	• All salary and benefit programs cease. • Annual short-term incentive payment is not paid. • All mid-term incentives are forfeited.	• No resulting incremental payment.
Termination without cause, or Resignation due to a material change to responsibilities within 12 months of the occurrence of a change of control, or Resignation due to a material breach of the employment agreement that the Corporation fails to cure within 120 days following notice	• All salary and benefit programs cease. • Severance is provided representing an aggregate value of 24 months of (i) annual base salary at the rate at the time of termination or resignation, as applicable, (ii) a payment equal to the value of the short-term incentive plan target (i.e. 75% of annual base salary), and (iii) a payment equal to the benefits and pension contributions for a twelve month period. • Mid-term incentives vest for service completed during the applicable performance period and will be paid out at target (i.e. 100% of annual base salary).	• Lump sum severance payment of approximately $2.0 million minus applicable deductions and withholding taxes; plus • Lump sum mid-term incentive payment of approximately $183,000 minus applicable deductions and withholding taxes.(1)

(1) Represents an estimate of the value only based upon the information available as at December 31, 2015. This amount is subject to change and should not be relied upon as a statement of final value.
(2) Mr. Lee's employment can be immediately terminated by providing 30 days' notice if he is unable to perform his employment-related duties due to incapacity for a period of six consecutive months as his continued employment would constitute undue hardship for the Corporation.

BOARD OF DIRECTORS COMPENSATION

The directors' compensation program is designed to attract and retain the most qualified individuals to serve on the Board. The program takes into account the time commitment, duties and responsibilities of the directors, and the director compensation practices at comparable companies.

The program is reviewed every few years to ensure it remains competitive. Director compensation is benchmarked against publicly traded companies in the comparator group used to determine competitive compensation for the Corporation's executives. The last review was conducted in 2010 and revealed that the Corporation's director compensation was positioned at the median of the market.

In consideration for serving on the Board for 2015, each director was compensated as indicated below:

Type of Fee	Amount ($)(10)
Board Chair Annual Retainer	150,000(1)
Director Annual Retainer	30,000(2)
Director Annual Stock Retainer	30,000(3)
Travel Related Compensation	500(4)
Audit Committee Chair Annual Retainer	9,000
Capital Power Corporation Sell-Down Authorization Committee Chair Annual Retainer(5)	2,000
CEO Search Committee Chair Annual Retainer(6)	2,000
Other Committee Chair Annual Retainer	4,500
Audit Committee Member Annual Retainer	6,000
Other Committee Member Annual Retainer(7)	3,000
Board Meeting Attendance Fee	1,500
Audit Committee Meeting Attendance Fee	3,000
Other Committee Meeting Attendance Fee(8)	1,500
Annual General Meeting Attendance Fee	1,500
Shareholder Meeting Attendance Fee(9)	1,500

(1) The Chair of the Board receives an annual retainer of $150,000, paid in quarterly installments of $37,500.
(2) Of the annual retainer fee paid to each Director, except the Chair, $1,500 is subject to directors exercising their right to further education related to fulfilling their Board responsibilities and/or educating the Director on strategic and business processes relevant to the Corporation's business and governance issues.

(3) Each Director, including the Chair, is paid an annual $30,000 in lieu of stock-based compensation commonly paid to directors by EPCOR's publicly traded comparators, as the option to purchase shares in EPCOR is not available.
(4) In circumstances in which a Director must travel from his or her place of residence the day before a board or committee meeting and/or travel back to their residence the day following a meeting, the Director is entitled to a travel allowance equal to $500 per instance.
(5) The Capital Power Corporation Sell-Down Authorization Committee was dissolved on May 8, 2015.
(6) The CEO Search Committee was formed on May 8, 2015 and disbanded on August 5, 2015.
(7) Members of the Capital Power Corporation Sell-Down Authorization Committee and the CEO Search Committee were not paid an annual or fixed retainer to sit on such Committees.
(8) For each of the Capital Power Corporation Sell-Down Authorization Committee and the CEO Search Committee, payment of the $1,500 attendance fee is at the discretion of the Chair of that Committee on a meeting-by-meeting basis.
(9) The Chair of the Board is paid a $1,500 meeting fee to attend Shareholder meetings. Directors whose attendance is requested by the Board Chair or Management are also paid a $1,500 meeting fee.
(10) Directors who are resident in the United States are compensated in U.S. dollars at the figures noted above. For example, a U.S. resident director is paid US$30,000 in respect of the Director Annual Retainer, $1,500 of which is subject to the director exercising their right to education. Currently, Mr. Foster is the only U.S. resident director and is compensated in U.S. dollars; for a summary of his actual 2015 compensation in Canadian dollars, please see the Director Compensation Table below.

The directors are reimbursed for out-of-pocket expenses incurred in carrying out their duties as directors of the Corporation.

The table below reflects in detail the compensation earned by directors with respect to the calendar year-ended December 31, 2015:

Director Compensation Table

Name	Fees Earned ($)	Share-Based Awards ($)	Option-Based Awards ($)	Non-Equity Incentive Plan Compensation ($)	Pension Value ($)	All Other Compensation (1) ($)	Total ($)
Hugh J. Bolton	249,000	-	-	-	-	10,800	259,800
James E.C. Carter(2)	39,500	-	-	-	-	-	39,500
Vito Culmone	107,500	-	-	-	-	3,825	111,325
Robert G. Foster(3)	173,181	-	-	-	-	-	173,181
Allister J. McPherson	119,833	-	-	-	-	-	119,833
Douglas H. Mitchell	99,000	-	-	-	-	-	99,000
Laurence M. Pollock	119,083	-	-	-	-	-	119,083
Catherine M. Roozen	105,000	-	-	-	-	-	105,000
Helen K. Sinclair	107,500	-	-	-	-	3,750	111,250
Nizar Jaffer. Somji(4)	26,625	-	-	-	-	956	27,581
Sheila C. Weatherill	113,000	-	-	-	-	4,125	117,125

(1) Represents amounts contributed by EPCOR under the voluntary Employee Savings Plan, where EPCOR matches contributions to a maximum of 5% of the director's contribution.
(2) Mr. Carter retired from the Board on May 8, 2015.
(3) Mr. Foster is a resident in the United States and all compensation was converted to in U.S. dollars using exchange rates at dates of payment.
(4) Mr. Somji was appointed to the Board on September 11, 2015.

FORWARD-LOOKING INFORMATION

Certain information in this AIF 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. 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. All forward-looking information contained in this AIF is expressly qualified by this cautionary statement.

Forward-looking information in this AIF includes, or is related to, but is not limited to: (i) expectations related to the renewal of the Corporation's water and wastewater franchise agreements with the City; (ii) expectations related to Suncor's rights to buy back leased assets and terminate related financing and operating agreements; (iii) expected expiration of water supply agreements in 2018 and 2023; (iv) the Corporation's expectations for the sale of its remaining interest in Capital Power and reinvestment of the proceeds; (v) the number and timing of 2016 rate application submissions and regulatory decisions; (vi) expectations related to projected capital expenditures and construction projects; and (vii) RRO customer attrition.

The forward-looking information in this AIF involves numerous assumptions, inherent risks and uncertainties, including but not limited to the following factors: (i) the Corporation's assessment of the economy, markets and regulatory environments in which it operates; (ii) availability and cost of financing; (iii) factors and assumptions in addition to the above related to the Corporation's interest in Capital Power; (iv) availability and cost of labor and management resources; (v) performance of counterparties, including but not limited to contractors and suppliers, in fulfilling their obligations to the Corporation; and (vi) quality and sufficiency of water supply. There are more specific factors that could cause actual results to differ materially from those described in this AIF. The more specific factors and related assumptions are identified and discussed in the sections entitled "Forward-Looking Information" and "Risk Factors and Risk Management" in the Corporation's MD&A dated March 3, 2016 for the year ended December 31, 2015.

Except as required by law, EPCOR disclaims any intention and assumes no obligation to update any forward-looking statement, even if new information becomes available as a result of future events or for any other reason.

ADDITIONAL INFORMATION

Additional information relating to the Corporation may be found on SEDAR at www.sedar.com and on the Corporation's website at www.epcor.com.

Additional financial information is provided in the Corporation's audited consolidated financial statements and MD&A for the year ended December 31, 2015.

APPENDIX I

AUDIT COMMITTEE
TERMS OF REFERENCE

A. OVERVIEW AND PURPOSE

1. The Audit Committee (the "Committee"), except to the extent otherwise provided by law, is responsible to the Board of Directors (the “Board”). The Committee monitors, evaluates, advises or makes recommendations, in accordance with these Terms of Reference and any other directions of the Board, on matters affecting the financial and operational control policies and practices relating to the Corporation, including the external, internal or special audits thereof. The term "Corporation" when used within these Terms of Reference includes all corporations and other entities within the EPCOR group of companies.

2. Management is responsible for preparing the interim and annual financial statements of the Corporation and for maintaining a system of risk assessment and internal controls to provide reasonable assurance that assets are safeguarded and that transactions are authorized, recorded and reported properly.

3. The Committee is responsible for reviewing management's actions and has the authority to investigate any activity of the Corporation. The primary responsibilities of the Committee include:

   - Assessing the processes related to identification of the Corporation’s financial risks and effectiveness of its control environment;

   - Overseeing financial reporting;

   - Evaluating the Corporation's internal control systems for financial reporting; and

   - Evaluating the internal and external, and any special, audit processes.

4. The Committee shall have unrestricted access to company personnel and documents, including internal auditors, and will be provided with the resources necessary to carry out its responsibilities. Neither the Chief Financial Officer nor the Director, Internal Audit will be disciplined, demoted or terminated without the prior knowledge of the Committee and the Committee will be consulted prior to any decisions by Management regarding hiring for either of these roles. The Committee has the authority to retain, at the expense of the Corporation, outside advisors and consultants as it sees fit.

5. The Committee shall be the direct report for the external auditors, shall evaluate their performance and shall recommend their compensation to the Board.

B. STRUCTURE

1. The Committee shall be composed of such number of directors as may be specified by the Board from time to time, which number shall be not less than three.

2. The Chair of the Board is an ex officio and non-voting member of the Committee, unless appointed by the Board as a member of the Committee.

3. At the first meeting of the Board following the Annual General Meeting with the Shareholder, Committee members and the Committee Chair are appointed by the Board on the recommendation of the Chair of the Board, to hold office until such time as new Committee members and a new Committee Chair are appointed.

4. Each Committee member should be independent and unrelated, as set forth in applicable securities laws, rules or guidelines of any stock exchange on which the securities of the Corporation are listed for trading, (which shall include, without limitation, National Instrument 52-110 issued by the Canadian Securities Administrators, or its successor instrument), and have no relationship to the Corporation that may materially interfere with the member's ability to act with a view to the best interests of the Corporation.

5. All Committee members shall possess sufficient financial literacy (as that term is defined in National Instrument 52-110 issued by the Canadian Securities Administrators, or its successor instrument) to effectively discharge their responsibilities. At least one member of the Committee shall have a professional accounting designation or equivalent financial expertise as determined by the Board.

6. All members of the Board shall be free to attend any meetings of the Committee and participate, but only Committee members shall be entitled to vote on any question before the Committee. Other than members of the Board, entitlement to attend all or a portion of any Committee meeting shall be determined by the Committee Chair or the Committee members.

7. The Committee shall meet at least four times per year and may call other meetings as required.

8. The minutes of the Committee meetings shall accurately record the decisions reached and shall be distributed to Committee members and others as directed by the Committee.

C. <u>DUTIES AND RESPONSIBILITIES</u>

In respect of all financial matters, the Committee is responsible for:

Public Disclosure of Financial Information

1. establishing and reviewing procedures for the review of all public disclosure documents containing audited, unaudited or forward-looking financial information before release by the Corporation including reviewing and recommending to the Board any changes to the Disclosure and Insider Trading Policy;

2. reviewing public documents containing financial information (annual audited financial statements, quarterly interim financial statements, annual and quarterly management discussion and analysis, media releases, the Annual Information Form, and any Prospectus or offering memorandum) before such documents are submitted to the Board of Directors (“Board”) for approval, and making recommendations as to their approval by the Board;

3. reviewing the annual and interim certificates provided by the Chief Executive Officer and Chief Financial Officer of the Corporation pursuant to National Instrument 52-109 issued by the Canadian Securities Administrators;

4. obtaining and reviewing reports from management and the external auditors describing the critical accounting policies used by the Corporation in the preparation of its annual and interim financial statements; any alternative treatments of financial information within generally accepted accounting principles (“GAAP”) that have been evaluated; and any other material written communications;

5. reviewing accruals, reserves and estimates which have a material effect on financial results;

6. reviewing the use of any “pro forma” information or “adjusted” information not in accordance with GAAP or use of any special purpose vehicles and/or off-balance sheet transactions;

7. reviewing with management and the external auditors, a summary of information in respect of the Ethics Policy and any litigation, claim or other contingency that could have a material effect upon the financial position or operating results of the Corporation, and the manner in which these will be disclosed in the financial statements;

8. monitoring compliance with the Corporation's Ethics Policy and ensuring that Management Compliance Certificates are received from management quarterly;

9. reviewing responses of management to information requests from government or regulatory authorities in respect of filing documents required under securities legislation, which may affect the financial reporting of the Corporation;

Internal Controls Over Financial Reporting

10. monitoring the appropriateness of accounting policies and financial reporting used by the Corporation, reviewing any prospective changes in financial reporting and accounting policies that may affect the Corporation;

11. obtaining reasonable assurance from discussions with and reports from the internal auditors and management that the Corporation's accounting systems are reliable and that the prescribed internal controls are operating effectively;

12. reviewing whether management has implemented policies ensuring that the Corporation's financial risks are identified and that controls are adequate, in place and functioning properly;

13. reviewing the post-audit management letter together with management's responses to external auditor recommendations together with status reports relating to follow-up actions;

14. reviewing all follow-up actions or status reports relating to the recommendations of the internal auditor;

15. reviewing the management prepared tax compliance and planning strategies annually, including a review of any tax exposures;

16. receiving and reviewing reports of all allegations related to financial impropriety and / or fraud, ensuring the investigations were conducted on a basis that protects the confidentiality of the complainer;

Financial Management

17. reviewing management's plans and strategies around investment practices, banking performance and treasury risk management;

18. reviewing and recommending to the Board any new or renewed financings including commercial paper programs, credit facilities, debt financings and equity financings;

19. reviewing management's procedures to ensure compliance by the Corporation with its loan and indenture covenants and restrictions, if any;

20. reviewing management’s plans, strategies and insurance coverage;

21. obtaining such information and explanations regarding the accounts of the Corporation as the Committee may consider necessary and appropriate to carry out its duties and responsibilities;

External Auditor Oversight

22. reviewing management’s assessment and completing the Committee’s assessment of external auditor performance, including an assessment of the objectivity and independence of the external auditor and obtaining written confirmation from the external auditor;

23. reviewing reports from external auditors respecting their internal quality control procedures and regulatory inspections;

24. recommending to the Board the appointment or the removal of external auditors, for approval by the Shareholder;

25. recommending to the Board for approval, the compensation paid to the external auditors on an annual basis;

26. approving the scope of the audit, including materiality, audit reports required, areas of audit risk, timetable and deadlines, including approving the auditor's engagement letters;

27. pre-approving all non-auditing services performed by the external auditors in relation to the Corporation and its subsidiaries;

28. meeting with the external auditors each quarter and when requested by the auditors, without management representatives present;

29. reviewing any other matters the external auditors bring to the attention of the committee;

30. confirming that appropriate liaison and cooperation exists where necessary between the external auditors and the internal auditors, and to provide a direct line of communication between the auditors and the Committee;

31. resolving issues with management regarding financial reporting;

32. reviewing and approving hiring policies regarding employees and former employees of the present and former external auditors;

Internal Auditor Governance

33. reviewing and approving the annual internal audit plan, including the mandate, staffing, scope and objectives of the internal audit department, and receiving regular reports on internal audit results and access to all internal audit reports;

34. annually reviewing the budget of the internal audit function and directing the Chief Financial Officer to make any changes necessary;

35. annually reviewing the performance and independence of the internal audit function and directing the Chief Financial Officer to make any changes necessary;

36. meeting with the internal auditors each quarter or as requested by the auditors, without management representatives present;

Audit Committee Governance

37. reviewing annually the Terms of Reference for the Committee and recommending any required changes to the Board;

38. conducting periodic self-assessment relating to Committee effectiveness and performance;

39. conducting all other matters required by law or stock exchange rules to be dealt with by an audit committee;

40. reporting to the Board as required.

D. MEETINGS

1. Committee meetings may be called by the Committee Chair or by a majority of the Committee members. In addition, the Committee Chair shall call a meeting upon request of the external auditors. A majority of Committee members shall constitute a quorum. The Committee Chair shall be a voting member and questions will be decided by a majority of votes.

2. Meetings may be called with one day's notice, which may be waived by Committee members. Attendance at a meeting shall be deemed to be waiver of notice of the meeting except where the Committee member attends the meeting for the express purpose of objecting to the transaction of business on the grounds that the meeting has not been duly called. All Committee members are entitled to receive notice of every meeting.

3. Meetings are chaired by the Committee Chair or in the Committee Chair's absence, by a Committee member chosen from amongst and by the Committee members present at the meeting.

4. Agendas will be set by the Committee Chair with such assistance as the Committee Chair may request from the Chief Executive Officer, the Chief Financial Officer, the General Counsel and the auditors, and will be circulated with the materials for consideration at the meeting by the Assistant Corporate Secretary to all Committee members, the Chair of the Board, the Chief Executive Officer, the Chief Financial Officer and the General Counsel, no later than the day prior to the date of the meeting. However, it should be standard practice to deliver the agenda and the materials for consideration at the meeting at least five business days prior to the proposed meeting except in unusual circumstances.

5. Except as herein provided, the Committee Chair may establish rules of procedure to be followed at meetings.

6. Meetings may be conducted with the participation of one or more of the Committee members by telephone which permits all persons participating in the meeting to hear and communicate with each other. A Committee member participating in a meeting by telephonic means is deemed to be present at the meeting.

7. The powers of the Committee may be exercised at a meeting at which a majority of the Committee members are present, or by resolution in writing signed by all Committee members who would have been entitled to vote on the resolution at a meeting of the Committee.

8. A resolution in writing may be signed and executed in separate counterparts by Committee members and the signing or execution of a counterpart shall have the same effect as the signing or execution of the original. An executed copy of a resolution in writing or counterpart thereof transmitted by any means of recorded electronic transmission shall be valid and sufficient.

9. Attendance at all or a portion of Committee meetings by staff will be determined by the Committee and will normally include the Chief Executive Officer, the Chief Financial Officer and the General Counsel.

10. The Corporate Secretary shall keep minutes of the proceedings of all meetings of the Committee, which following Committee approval are available to any member of the Board. All minutes will be circulated to the Chair of the Board and to those receiving the agenda, and will be retained by the Assistant Corporate Secretary.

11. The Committee may delegate its power and authority to individual members of the Committee, where the Committee determines it is appropriate to do so in order for necessary decisions to be made between meetings of the Committee and where such delegation is permitted by law. Any such decisions shall be reported to the Committee at its next meeting.

APPENDIX II

CHARTER OF EXPECTATIONS FOR THE BOARD OF DIRECTORS

I. INTRODUCTION

A. The Directors have the power to manage the business and affairs of the Corporation except as limited or restricted by the Unanimous Shareholder Agreement, the Act, the Articles, and the By-laws.

B. EPCOR has adopted a Charter of Expectations for the Board of Directors, which sets out the specific responsibilities to be discharged by EPCOR's Board. The purpose of the Charter is to assist the Board in annually assessing its performance.

C. While the Board is called upon to "manage" the business by law, this is done by proxy through the President and Chief Executive Officer (CEO) who is charged with the day-to-day leadership and management of the Corporation. The President/Chief Executive Officer's prime responsibility is to lead the Corporation. The CEO formulates strategies and plans and presents them to the Board for approval. The Board approves the goals of the business, the objectives and policies within which it is managed, and then steps back and evaluates management performance. Reciprocally, the CEO keeps the Board fully informed of the Corporation's progress towards the achievement of its goals and of all material deviations from the goals or objectives and policies established by the Board in a timely and candid manner.

II. RESPONSIBILITIES

All of the following responsibilities are undertaken within the parameters and restrictions established by the Unanimous Shareholder Agreement, the Act, the Articles, and the By-laws.

A. Managing the Affairs of the Board

The Board manages the affairs of the Board by establishing committees to provide more detailed review of important areas of responsibility, delegating certain of its authorities to management, reserving certain powers to itself and making certain recommendations to the Shareholder. These include:

(i) appointing committees and/or advisory bodies and establishing and periodically reviewing their terms of reference;

(ii) implementing processes to evaluate the performance of the Board, Committees and Directors in fulfilling their responsibilities;

(iii) implementing processes for new Director orientation and ongoing Director development;

(iv) appointing the Vice–Chair, and the Secretary;

(v) establishing and enforcing a Board confidentiality policy;

(vi) implementing effective governance processes to fulfill its responsibility for oversight and control; and

(vii) making recommendations to the Shareholder in the following areas:

(a) director compensation;

(b) the procedure for the appointment of the Board Chair and the Directors; and

(c) suggested changes for the Shareholder to consider regarding the By-law, Articles and Shareholder Agreement;

B. Strategy and Plans

The Board has the responsibility to:

(i) participate with management in the Corporation's strategic planning process including;

(a) providing input to management on emerging trends and issues;

(b) reviewing and approving management's strategic plans (long-term business plan); and

(c) reviewing and approving EPCOR's financial objectives, plans and actions, including significant capital allocations and expenditures;

(ii) approve annual capital and operating budgets which support the Corporation's ability to meet the objectives established in the strategic plan;

(iii) approve the organization of business units and subsidiaries as outlined in By-law Number 1 (Part II, 2.9); and

(iv) monitor the Corporation's progress towards its goals, and to revise and alter its direction through management in light of changing circumstances.

C. Management and Human Resources

The Board has the responsibility for:

(i) the appointment, termination and succession of the President/Chief Executive Officer (CEO);

(ii) approving CEO compensation;

(iii) approving terms of reference for the CEO;

(iv) monitoring CEO performance and reviewing CEO performance at least annually, against agreed upon written objectives;

(v) providing advice and counsel to the CEO in the execution of the CEO's duties;

(vi) approving decisions relating to senior management, including the:

(a) appointment and discharge of officers;

(b) compensation and benefits for officers;

(c) acceptance of outside directorships on public companies by officers (other than not-for-profit organizations);

(vii) ensuring succession planning programs are in place, including programs to train and develop management;

(viii) approving certain matters relating to all employees, including:

(a) the annual compensation policy/program for employees;

(b) new benefit programs or material changes to existing programs;

(c) material benefits granted to retiring employees outside of benefits received under approved pension and other benefit programs; and

(ix) approving the parameters for negotiated union collective agreements with employees of the Corporation.

D. Business and Risk Management

The Board has the responsibility to:

(i) monitor corporate performance against the strategic, operating and capital plans, including assessing operating results to evaluate whether the business is being properly managed and meeting its objectives;

(ii) ensure management identifies the principal risks of the Corporation's business and implements appropriate systems to manage these risks;

(iii) receive, at least annually, reports from management on matters relating to, among others, ethical conduct, environmental management, employee health and safety, human rights, and related party transactions;

(iv) assess and monitor management control systems:

(a) evaluate and assess information provided by management and others (e.g. internal and external auditors) about the effectiveness of management control systems; and

(b) understand principal risks and determine whether the Corporation achieves a proper balance between risk and returns, and that management ensures that systems are in place to address the risks identified.

E. Financial and Corporate Issues

The Board has the responsibility to:

(i) take reasonable steps to ensure the implementation and integrity of the Corporation's internal control and management information systems;

(ii) meet regularly with and receive reports from the Auditor;

(iii) monitor operational and financial results;

(iv) approve annual and quarterly financial statements, and approve release thereof by management;

(v) declare dividends subject to the dividend policy established by the Shareholder;

(vi) approve significant debt financing, banking resolutions, significant changes in banking relationships and exercise the borrowing powers outlined in By-Law Number 1 (Part II, 2.7);

(vii) review coverage, deductibles and key issues regarding corporate insurance policies;

(viii) approve commitments that may have a material impact on the Corporation;

(ix) approve the commencement or settlement of litigation that may have a material impact on the Corporation; and

(x) recommend, as required, to the Shareholder for approval;

(a) the appointment of external auditors and the auditors' fees;

(b) a dividend policy; and

(c) the merger, amalgamation, acquisition, lease or disposition of assets as outlined in the Unanimous Shareholder Agreement Sections 2.2.10 through and including 2.2.14.

F. Shareholder and Corporate Communications

The Board has the responsibility to take all reasonable steps to:

(i) ensure the Corporation has in place effective communication processes with the Shareholder and other stakeholders and financial, regulatory and other recipients;

(ii) ensure that the financial performance of the Corporation is adequately reported to the Shareholder, other security holders and regulators on a timely and regular basis;

(iii) ensure the financial results are reported fairly and in accordance with generally accepted accounting principles;

(iv) ensure the timely reporting of any other developments that have a significant and material impact on the value of the Corporation;

and the responsibility to:

(v) report quarterly and annually to the Shareholder as outlined in By-Law Number 1 (Part VIII, 8.2 and 8.7).

(vi) organize an annual planning meeting with the Shareholder and place before the Shareholder those items outlined in By Law Number 1 (Part VIII, 8.5).

G. Policies and Procedures

The Board has the responsibility to take all reasonable steps to:

(i) approve and monitor compliance with all significant policies and procedures by which the Corporation is operated;

(ii) direct management to ensure the Corporation operates at all times within applicable laws and regulations and to the highest ethical and moral standards; and

(iii) review significant new corporate policies or material amendments to existing policies (including, for example, policies regarding business conduct, conflict of interest and the environment).

III. GENERAL LEGAL OBLIGATIONS OF THE BOARD OF DIRECTORS

A. The Board is responsible for directing management to ensure legal requirements have been met, and documents and records have been properly prepared, approved and maintained.

B. Alberta law includes the following as legal requirements for Directors:

(i) to manage the business and affairs of the Corporation subject to any Unanimous Shareholder Agreement;

(ii) to act honestly and in good faith with a view to the best interests of the Corporation;

(iii) to exercise the care, diligence and skill that reasonably prudent people would exercise in comparable situation; and

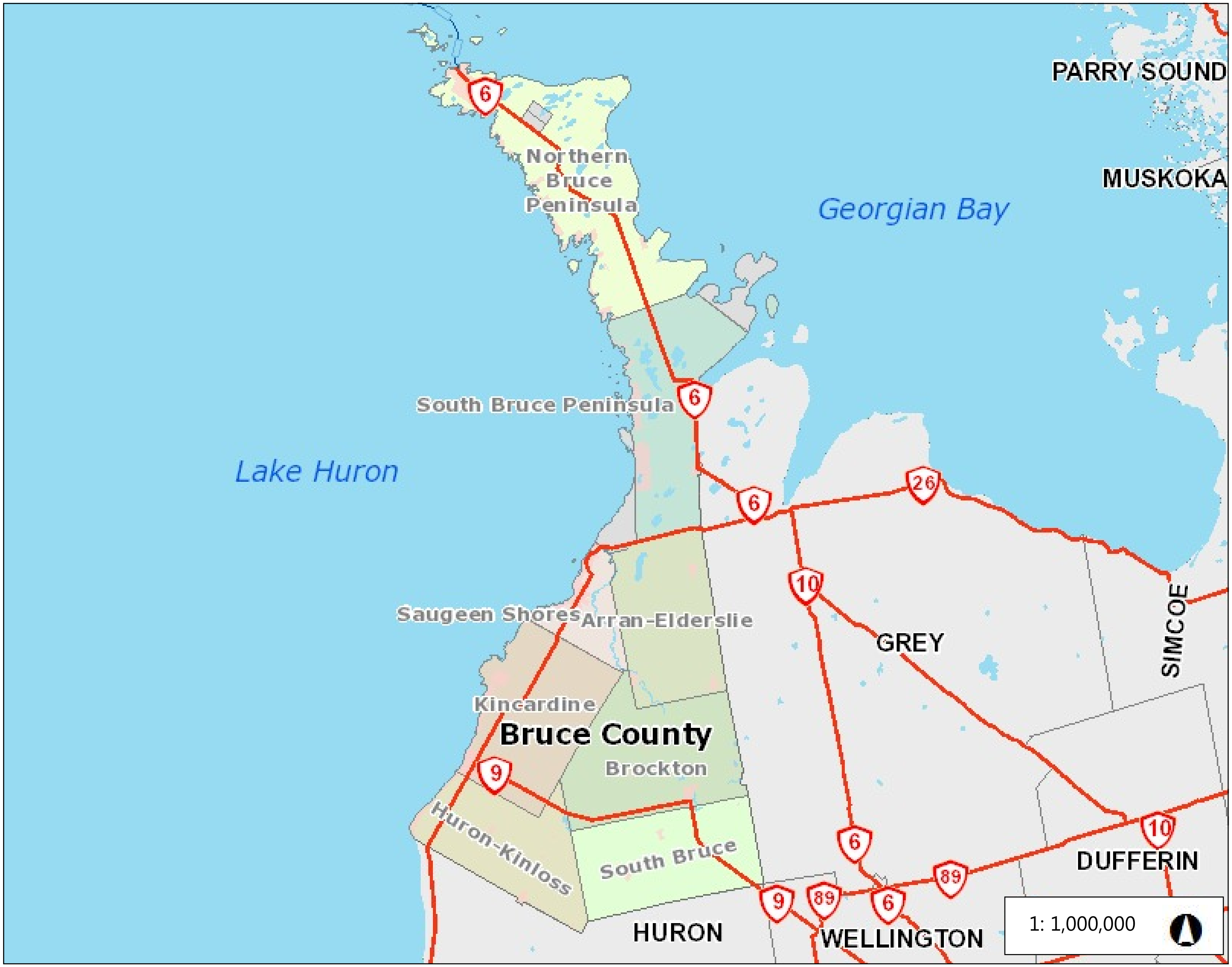
(iv) to act in accordance with the obligations contained in the Act, the Unanimous Shareholder Agreement and any other relevant legislation, regulations and policies, and the Corporation's Articles and By-laws.

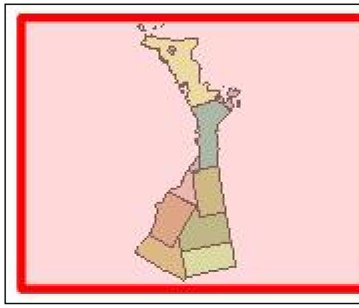
SCHEDULE "C"

[see attached]

County of Bruce

Bruce County





Legend

- Ferry
- Provincial Highway
- Municipal Boundary
- Wetland
- Body of Water
- Streams
- Built-up area
- Bruce County
  - Arran-Elderslie
  - Brockton
  - Kincardine
  - Northern Bruce Peninsula
  - South Bruce
  - Saugeen Shores
  - South Bruce Peninsula
  - Huron-Kinloss
  - First Nations Land
- Adjacent County

Notes

50.8 0 25.40 50.8 Kilometers

NAD_1983_UTM_Zone_17N

This map is a user generated static output from an Internet mapping site and is for reference only. Data layers that appear on this map may or may not be accurate, current, or otherwise reliable.

THIS MAP IS NOT TO BE USED FOR NAVIGATION

SCHEDULE "D"

[see attached]

Franchise Agreement

THIS AGREEMENT effective this 22nd day of February, 2016

BETWEEN:

THE MUNICIPALITY OF KINCARDINE hereinafter called the "Corporation"

- and -

EPCOR UTILITIES INC. hereinafter called the "Gas Company"

WHEREAS the Gas Company desires to distribute, store and transmit gas in the Municipality upon the terms and conditions of this Agreement;

AND WHEREAS by by-law passed by the Council of the Corporation (the "By-law"), the duly authorized officers have been authorized and directed to execute this Agreement on behalf of the Corporation;

THEREFORE the Corporation and the Gas Company agree as follows:

Part I - Definitions

1. In this Agreement:

    a. "decommissioned" and "decommissions" when used in connection with parts of the gas system, mean any parts of the gas system taken out of active use and purged in accordance with the applicable CSA standards and in no way affects the use of the term 'abandoned' pipeline for the purposes of the Assessment Act;

    b. "Engineer/Road Superintendent" means the most senior individual employed by the Corporation with responsibilities for highways within the Municipality or the person designated by such senior employee or such other person as may from time to time be designated by the Council of the Corporation;

    c. "gas" means natural gas, manufactured gas, synthetic natural gas, liquefied petroleum gas or propane-air gas, or a mixture of any of them, but does not include a liquefied petroleum gas that is distributed by means other than a pipeline;

    d. "gas system" means such mains, plants, pipes, conduits, services, valves, regulators, curb boxes, stations, drips or such other equipment as the Gas Company may require or deem desirable for the distribution, storage and transmission of gas in or through the Municipality;

    e. "highway" means all common and public highways and shall include any bridge, viaduct or structure forming part of a highway, and any public square, road allowance or walkway and shall include not only the travelled portion of such highway, but also ditches, driveways, sidewalks, and sodded areas forming part of the road allowance now or at any time during the term hereof under the jurisdiction of the Corporation;

f. "Model Franchise Agreement" means the form of agreement which the Ontario Energy Board uses as a standard when considering applications under the Municipal Franchises Act. The Model Franchise Agreement may be changed from time to time by the Ontario Energy Board;

g. "Municipality" means the territorial limits of the Corporation on the date when this Agreement takes effect, and any territory which may thereafter be brought within the jurisdiction of the Corporation;

h. "Plan" means the plan described in Paragraph 7 of this Agreement required to be filed by the Gas Company with the Engineer/Road Superintendent prior to commencement of work on the gas system; and

i. whenever the singular, masculine or feminine is used in this Agreement, it shall be considered as if the plural, feminine or masculine has been used where the context of the Agreement so requires.

Part II - Rights Granted

2. To provide gas service:

The consent of the Corporation is hereby given and granted to the Gas Company to distribute, store and transmit gas in and through the Municipality to the Corporation and to the inhabitants of the Municipality.

3. To Use Highways

Subject to the terms and conditions of this Agreement the consent of the Corporation is hereby given and granted to the Gas Company to enter upon all highways now or at any time hereafter under the jurisdiction of the Corporation and to lay, construct, maintain, replace, remove, operate and repair a gas system for the distribution, storage and transmission of gas in and through the Municipality.

4. Duration of Agreement and Renewal Procedures

a. Unless terminated earlier in accordance with subsections (d), (e), (f) or (g) below, if the Corporation has not previously received gas distribution services, the rights hereby given and granted shall be for a term of 20 years from the date of final passing of the By-law.

b. At any time within two years prior to the expiration of this Agreement, either party may give notice to the other that it desires to enter into negotiations for a renewed franchise upon such terms and conditions as may be agreed upon. Until such renewal has been settled, the terms and conditions of this Agreement shall continue, notwithstanding the expiration of this Agreement. This shall not preclude either party from applying to the Ontario Energy Board for a renewal of the Agreement pursuant to section 10 of the Municipal Franchises Act.

c. For greater certainty, upon the expiration or termination of this Agreement, the gas system remains the sole property of the Gas Company.

d. The Corporation may terminate this Agreement by written notice to Gas Company, effective on such date as is specified in such notice, if the Gas Company fails to notify the Corporation in writing of its intention to proceed with the filing of a Leave to Construct (as defined below) application in respect of the gas system, within 60 days of the later of: (i) the GH Date (as defined below); and (ii) the date on which the Province of Ontario provides to the Gas Company a decision in writing regarding access to the Natural Gas Access Loans or Natural Gas Economic Development Grants in respect of the gas system (the "**Funding Date**").

e. The Corporation may terminate this Agreement by written notice to Gas Company, effective on such date as is specified in such notice, if the Gas Company fails to file an application pursuant to Section 90 of the *Ontario Energy Board Act, 1998* for leave to construct the gas system ("**Leave to Construct**") within 180 days of the latest of: (i) the date of expiry of any appeal or review period applicable to the Ontario Energy Board's decision (or of any subsequent appeal or review) regarding the generic proceeding before the Ontario Energy Board, EB-2016-0004; (ii) the date of final disposition of any appeal or review of the Ontario Energy Board's decision regarding such generic proceeding (the later of the dates referenced in (i) and (ii) being the "**GH Date**"); and (iii) the Funding Date.

f. The Corporation may terminate this Agreement by written notice to Gas Company, effective on such date as is specified in such notice, if the Gas Company's application for Leave to Construct the gas system is not approved by the Ontario Energy Board without material variation and the Gas Company has failed to submit a new or revised application for Leave to Construct the gas system within 180 days of the date of the Ontario Energy Board's decision regarding the Leave to Construct application.

g. The Corporation may terminate this Agreement by written notice to Gas Company, effective on such date as is specified in such notice, if the Gas Company has not achieved financial close (as that term may be defined or otherwise agreed to by the parties) within twelve (12) months of obtaining approval of its Leave to Construct application.

h. The Corporation may terminate this Agreement by written notice to Gas Company, effective on such date as is specified in such notice, if the gas system is not constructed, in operation and serving the Municipality on or before December 31, 2023 (the "**Cliff Date**"), provided the Gas Company shall be granted an additional two (2) year period after the Cliff Date to complete construction and put the gas system into operation to serve the Municipality if and only if the Gas Company has been issued Leave to Construct, achieved financial close and commenced construction of the gas system prior to the Cliff Date and the Gas Company continues to demonstrate that it has and is using reasonable commercial efforts to complete construction and commence operations of the gas system within such two year period.

i. If the Corporation terminates this Agreement, Gas Company will promptly make an application to the Ontario Energy Board to surrender or cancel any related approval for the Agreement or a Certificate of Public Convenience and Necessity.

Part III - Conditions

5. Annual Fee. Following commencement of operation of the gas system, Gas Company shall pay an annual fee to the Corporation equivalent to 1% of the gross revenue derived by Gas Company for natural gas supplied for consumption within the Municipality minus the natural gas commodity costs incurred by Gas Company in connection with such supply, earned in the preceding calendar year (the "**Annual Fee**"). The Annual Fee will be payable within 120 days following the end of each calendar year.

6. Tax Rebate. The Corporation will rebate to Gas Company, the Corporation's respective municipal portion of any property or similar taxes, including without limitation payable in relation to ownership or use of or rights in relation to land, buildings, structures or pipelines, paid by Gas Company pursuant to the *Ontario Assessment Act* directly or indirectly to or for the benefit of the Corporation for the first 10 years of operation of the gas system in the Municipality. In respect of years after the 10^{th} year of operation of the gas system in the Municipality, the above rebates shall cease and the Corporation shall be entitled to directly or indirectly collect said taxes from Gas Company.

7. Approval of Construction

    a. The Gas Company shall not undertake any excavation, opening or work which will disturb or interfere with the surface of the travelled portion of any highway unless a permit therefor has first been obtained from the Engineer/Road Superintendent and all work done by the Gas Company shall be to his satisfaction.

    b. Prior to the commencement of work on the gas system, or any extensions or changes to it (except service laterals which do not interfere with municipal works in the highway), the Gas Company shall file with the Engineer/Road Superintendent a Plan, satisfactory to the Engineer/Road Superintendent, drawn to scale and of sufficient detail considering the complexity of the specific locations involved, showing the highways in which it proposes to lay its gas system and the particular parts thereof it proposes to occupy.

    c. The Plan filed by the Gas Company shall include geodetic information for a particular location:

        i. where circumstances are complex, in order to facilitate known projects, including projects which are reasonably anticipated by the Engineer/Road Superintendent, or

        ii. when requested, where the Corporation has geodetic information for its own services and all others at the same location.

d. The Engineer/Road Superintendent may require sections of the gas system to be laid at greater depth than required by the latest CSA standard for gas pipeline systems to facilitate known projects or to correct known highway deficiencies.

e. Prior to the commencement of work on the gas system, the Engineer/Road Superintendent must approve the location of the work as shown on the Plan filed by the Gas Company, the timing of the work and any terms and conditions relating to the installation of the work.

f. In addition to the requirements of this Agreement, if the Gas Company proposes to affix any part of the gas system to a bridge, viaduct or other structure, if the Engineer/Road Superintendent approves this proposal, he may require the Gas Company to comply with special conditions or to enter into a separate agreement as a condition of the approval of this part of the construction of the gas system.

g. Where the gas system may affect a municipal drain, the Gas Company shall also file a copy of the Plan with the Corporation's Drainage Superintendent for purposes of the Drainage Act, or such other person designated by the Corporation as responsible for the drain.

h. The Gas Company shall not deviate from the approved location for any part of the gas system unless the prior approval of the Engineer/Road Superintendent to do so is received.

i. The Engineer/Road Superintendent's approval, where required throughout this Paragraph, shall not be unreasonably withheld.

j. The approval of the Engineer/Road Superintendent is not a representation or warranty as to the state of repair of the highway or the suitability of the highway for the gas system.

8. As Built Drawings

The Gas Company shall, within six months of completing the installation of any part of the gas system, provide two copies of "as built" drawings to the Engineer/Road Superintendent. These drawings must be sufficient to accurately establish the location, depth (measurement between the top of the gas system and the ground surface at the time of installation) and distance of the gas system. The "as built" drawings shall be of the same quality as the Plan and, if the approved pre-construction plan included elevations that were geodetically referenced, the "as built" drawings shall similarly include elevations that are geodetically referenced. Upon the request of the Engineer/Road Superintendent, the Gas Company shall provide one copy of the drawings in an electronic format and one copy as a hard copy drawing.

9. Emergencies

In the event of an emergency involving the gas system, the Gas Company shall proceed with the work required to deal with the emergency, and in any instance where prior approval of the Engineer/Road Superintendent is normally required for the work, the Gas Company shall use its best efforts to immediately notify the Engineer/Road Superintendent of the location and nature of the emergency and the work being done and, if it deems appropriate, notify the police force, fire or other emergency services having jurisdiction. The Gas Company shall provide the Engineer/Road Superintendent with at least one 24 hour emergency contact for the Gas Company and shall ensure the contacts are current.

10. Restoration

The Gas Company shall well and sufficiently restore, to the reasonable satisfaction of the Engineer/Road Superintendent, all highways, municipal works or improvements which it may excavate or interfere with in the course of laying, constructing, repairing or removing its gas system, and shall make good any settling or subsidence thereafter caused by such excavation or interference. If the Gas Company fails at any time to do any work required by this Paragraph within a reasonable period of time, the Corporation may do or cause such work to be done and the Gas Company shall, on demand, pay the Corporation's reasonably incurred costs, as certified by the Engineer/Road Superintendent.

11. Indemnification

The Gas Company shall, at all times, indemnify and save harmless the Corporation and the members of the municipal council, the officers, employees and agents of the Corporation from and against all claims, including costs related thereto, for all damages or injuries including death to any person or persons and for damage to any property, arising out of the Gas Company operating, constructing, and maintaining its gas system in the Municipality, or utilizing its gas system for the carriage of gas owned by others. Provided that the Gas Company shall not be required to indemnify or save harmless the Corporation from and against claims, including costs related thereto, which it may incur by reason of damages or injuries including death to any person or persons and for damage to any property, resulting from the negligence or wrongful act of the Corporation, its servants, agents or employees.

12. Insurance

   a. The Gas Company shall maintain Comprehensive General Liability Insurance in sufficient amount and description as shall protect the Gas Company and the Corporation from claims for which the Gas Company is obliged to indemnify the Corporation under Paragraph 11. The insurance policy shall identify the Corporation as an additional named insured, but only with respect to the operation of the named insured (the Gas Company). The insurance policy shall not lapse or be cancelled without sixty (60) days' prior written notice to the Corporation by the Gas Company.

   b. The issuance of an insurance policy as provided in this Paragraph shall not be construed as relieving the Gas Company of liability not covered by such insurance or in excess of the policy limits of such insurance.

c. Upon request by the Corporation, the Gas Company shall confirm that premiums for such insurance have been paid and that such insurance is in full force and effect.

13. Alternative Easement

The Corporation agrees, in the event of the proposed sale or closing of any highway or any part of a highway where there is a gas line in existence, to give the Gas Company reasonable notice of such proposed sale or closing and, if is feasible, to provide the Gas Company with easements over that part of the highway proposed to be sold or closed sufficient to allow the Gas Company to preserve any part of the gas system in its then existing location. In the event that such easements cannot be provided, the Corporation and the Gas Company shall share the cost of relocating or altering the gas system to facilitate continuity of gas service, as provided for in Paragraph 14 of this Agreement.

14. Pipeline Relocation

a. If in the course of constructing, reconstructing, changing, altering or improving any highway or any municipal works, the Corporation deems that it is necessary to take up, remove or change the location of any part of the gas system, the Gas Company shall, upon notice to do so, remove and/or relocate within a reasonable period of time such part of the gas system to a location approved by the Engineer/Road Superintendent.

b. Where any part of the gas system relocated in accordance with this Paragraph is located on a bridge, viaduct or structure, the Gas Company shall alter or relocate that part of the gas system at its sole expense.

c. Where any part of the gas system relocated in accordance with this Paragraph is located other than on a bridge, viaduct or structure, the costs of relocation shall be shared between the Corporation and the Gas Company on the basis of the total relocation costs, excluding the value of any upgrading of the gas system, and deducting any contribution paid to the Gas Company by others in respect to such relocation; and for these purposes, the total relocation costs shall be the aggregate of the following:

   i. the amount paid to Gas Company employees up to and including field supervisors for the hours worked on the project plus the current cost of fringe benefits for these employees,

   ii. the amount paid for rental equipment while in use on the project and an amount, charged at the unit rate, for Gas Company equipment while in use on the project,

   iii. the amount paid by the Gas Company to contractors for work related to the project,

   iv. the cost to the Gas Company for materials used in connection with the project, and

v. a reasonable amount for project engineering and project administrative costs which shall be 22.5% of the aggregate of the amounts determined in items (i), (ii), (iii) and (iv) above.

d. The total relocation costs as calculated above shall be paid 35% by the Corporation and 65% by the Gas Company, except where the part of the gas system required to be moved is located in an unassumed road or in an unopened road allowance and the Corporation has not approved its location, in which case the Gas Company shall pay 100% of the relocation costs.

Part IV - Procedural and Other Matters

15. Municipal By-laws of General Application

The Agreement is subject to the provisions of all regulating statutes and all municipal bylaws of general application, except by-laws which have the effect of amending this Agreement.

16. Giving Notice

Notices may be delivered to, sent by facsimile or mailed by prepaid registered post to the Gas Company at its head office or to the authorized officers of the Corporation at its municipal offices, as the case may be.

17. Disposition of Gas System

a. If the Gas Company decommissions part of its gas system affixed to a bridge, viaduct or structure, the Gas Company shall, at its sole expense, remove the part of its gas system affixed to the bridge, viaduct or structure.

b. If the Gas Company decommissions any other part of its gas system, it shall have the right, but is not required, to remove that part of its gas system. It may exercise its right to remove the decommissioned parts of its gas system by giving notice of its intention to do so by filing a Plan as required by Paragraph 7 of this Agreement for approval by the Engineer/Road Superintendent. If the Gas Company does not remove the part of the gas system it has decommissioned and the Corporation requires the removal of all or any part of the decommissioned gas system for the purpose of altering or improving a highway or in order to facilitate the construction of utility or other works in any highway, the Corporation may remove and dispose of so much of the decommissioned gas system as the Corporation may require for such purposes and neither party shall have recourse against the other for any loss, cost, expense or damage occasioned thereby. If the Gas Company has not removed the part of the gas system it has decommissioned and the Corporation requires the removal of all or any part of the decommissioned gas system for the purpose of altering or improving a highway or in order to facilitate the construction of utility or other works in a highway, the Gas Company may elect to relocate the decommissioned gas system and in that event

Paragraph 14 applies to the cost of relocation.

18. Use of Decommissioned Gas System

    a. The Gas Company shall provide promptly to the Corporation, to the extent such information is known:

        i. the names and addresses of all third parties who use decommissioned parts of the gas system for purposes other than the transmission or distribution of gas; and

        ii. the location of all proposed and existing decommissioned parts of the gas system used for purposes other than the transmission or distribution of gas.

    b. The Gas Company may allow a third party to use a decommissioned part of the gas system for purposes other than the transmission or distribution of gas and may charge a fee for that third party use, provided

        i. the third party has entered into a municipal access agreement with the Corporation; and

        ii. the Gas Company does not charge a fee for the third party's right of access to the highways.

    c. Decommissioned parts of the gas system used for purposes other than the transmission or distribution of gas are not subject to the provisions of this Agreement. For decommissioned parts of the gas system used for purposes other than the transmission and distribution of gas, issues such as relocation costs will be governed by the relevant municipal access agreement.

19. Franchise Handbook

    The Parties acknowledge that operating decisions sometimes require a greater level of detail than that which is appropriately included in this Agreement. The Parties agree to look for guidance on such matters to the Franchise Handbook prepared by the Association of Municipalities of Ontario and the gas utility companies, as may be amended from time to time.

20. Agreement Binding Parties

    This Agreement shall extend to, benefit and bind the parties thereto, their successors and assigns, respectively. Any assignment of this Agreement or any Party's rights or obligations under this Agreement requires the prior written consent of the other Party, acting reasonably except in the case of the Gas Company who may assign this Agreement to a wholly owned (other than any non-voting securities owned by officers of Gas Company) subsidiary or affiliate without prior written consent, provided that: (a) the original Gas Company must unconditionally and irrevocably guarantee, in a form satisfactory to the Corporation, acting reasonably, the obligations and liabilities to be assumed by such subsidiary or affiliate; and (b) such subsidiary or affiliate must also be assigned and assume any related agreements between the Corporation and the Gas Company.

[Signature page follows.]

IN WITNESS WHEREOF the parties have executed this Agreement effective from the date written above.

EPCOR Utilities Inc.

Per: *"Original signed by Bruce Brandell"*
Name: Bruce Brandell
Title: Director, Commercial Services

THE MUNICIPALITY OF KINCARDINE

Per: *"Original signed by Anne Eadie"*
Name: Anne Eadie
Title: Mayor

SCHEDULE “E”

[see attached]

THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE

BY-LAW

No. 2016 - 027

BEING A BY-LAW TO AUTHORIZE A MUNICIPAL FRANCHISE AGREEMENT BETWEEN THE CORPORATION OF THE MUNICIPALITY OF KINCARDINE AND EPCOR UTILITIES INC.

WHEREAS EPCOR Utilities Inc. ("EPCOR") intends to develop, own and operate a natural gas distribution utility within the Municipality as proposed in its June 25, 2015 proposal to Council in response to the Request for Proposals initiated by the Municipality dated April 17, 2015;

AND WHEREAS the Municipality and EPCOR (the "Parties") agreed to negotiate and execute a municipal franchise agreement (the "Franchise Agreement") by February, 2016;

AND WHEREAS the Council of The Corporation of the Municipality of Kincardine deems it expedient to enter into the Franchise Agreement with EPCOR in substantially the form and consistent with the legal advice provided by Borden Ladner Gervais LLP at the Closed Special Council Meeting held on February 19th, 2016;

AND WHEREAS given that the February timeline to execute said Franchise Agreement may require that the Mayor of the Municipality of Kincardine sign this Agreement before a final version can be negotiated and be ratified by Council;

NOW THEREFORE the Council of The Corporation of the Municipality of Kincardine **ENACTS** as follows:

1. That the Franchise Agreement between The Corporation of the Municipality of Kincardine and EPCOR Utilities Inc., which was the subject of legal advice provided to Council by Borden Ladner Gervais LLP at the Closed Special Council Meeting held on February 19th, 2016 is hereby authorized and the franchise provided for therein is hereby granted conditional on EPCOR obtaining all required and necessary approvals from the Ontario Energy Board.

2. That the Mayor is hereby authorized and instructed on behalf of The Corporation of the Municipality of Kincardine to enter into and execute under its corporate seal and deliver the Franchise Agreement by no later than February 22nd, 2016, substantially in the form and consistent with the legal advice provided to Council by Borden Ladner Gervais LLP at the Closed Special Council Meeting held on February 19th, 2016 For greater certainty, in the event that the final form of Franchise Agreement cannot be negotiated and executed substantially in the form and consistent with the legal advice provided to Council by Borden Ladner Gervais LLP at the Closed Special Council Meeting held on February 19th, 2016, the Mayor is hereby authorized to execute a form of Franchise Agreement but which is subject to ratification by Council at a date after February 22nd, 2016.

3. This by-law shall come into full force and effect upon final passage.

4. This by-law may be cited as the "EPCOR Utilities Inc. Natural Gas Franchise Agreement By-Law".

READ a **FIRST** and **SECOND TIME** this 19th day of February, 2016.

READ a **THIRD TIME** and **FINALLY PASSED** this 19th day of February, 2016.

Anne Zadie
Mayor

Jennifer Lawrie
Deputy Clerk

SCHEDULE “F”

[see attached]

<u>ASSIGNMENT AND ASSUMPTION AGREEMENT</u>

(this "**Agreement**")

THIS AGREEMENT made as of the 23rd day of March, 2016 (the "**Effective Date**").

AMONG:

EPCOR UTILITIES INC., a corporation existing under the laws of the Province of Alberta (the "**Assignor**")

– and –

EPCOR SOUTHERN BRUCE GAS INC., a corporation existing under the laws of the Province of Ontario (the "**Assignee**")

WHEREAS:

A. The Assignor entered into certain agreements as set out in Schedule "A" with the Municipality of Kincardine, the Municipality of Arran-Elderslie and the Township of Huron-Kinloss (collectively, the "**Municipalities**") and also provided to the Municipalities an irrevocable option as set out in Schedule "A" (such agreements and option collectively referred to as the "**Project Agreements**"); and

B. The Assignor wishes to transfer and assign to the Assignee, and the Assignee wishes to accept the transfer and assignment of, and assume all of the rights, liabilities, duties and obligations of the Assignor under the Project Agreements.

NOW THEREFORE THIS AGREEMENT WITNESSES that for good and valuable consideration (the receipt and sufficiency of which are acknowledged by each of the undersigned) the parties agree as follows:

1. **<u>Assignment.</u>** The Assignor hereby assigns, transfers, sets over and conveys to the Assignee all its right, title, interest and estate in, to the Project Agreements.

2. **<u>Assumption by Assignee.</u>** The Assignee hereby accepts and agrees to be bound by the Project Agreements and to assume all the obligations and liabilities of the Assignor arising or accruing under the Project Agreements. Upon such assignment and assumption, Assignor shall be released from all rights, duties and obligations with respect to the Project Agreements and the Assignee shall indemnify and save the Assignor harmless from and against, and shall reimburse the Assignor for, any and all claims, losses, costs, expenses, damages, actions or liabilities arising pursuant to or in connection with the Project Agreements.

3. **Further Assignment.** Any assignment of the Assignee's rights or obligations under the Project Agreements, will require the prior written consent of each of the Municipalities, acting reasonably, except the Assignee may assign its rights or obligations under the Project Agreements to a wholly owned (other than any non-voting securities owned by officers of the Assignor) subsidiary or affiliate of the Assignor without prior written consent, provided that the Assignor unconditionally and irrevocably guarantees, in a form satisfactory to the Municipalities, acting reasonably, the obligations and liabilities to be assumed by such subsidiary or affiliate.

4. **Successors and Assigns.** This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns.

5. **Further Assurances.** Each of the parties shall execute and deliver all such further documents and do such other things as the other party may reasonably request to give full effect to this Agreement.

6. **Severability.** Any provision of this Agreement, which is illegal or unenforceable shall be ineffective to the extent the illegality or unenforceability without invalidating the remaining provisions of this Agreement.

7. **Governing Law.** This Agreement shall, in all respects, be subject to and be interpreted, and construed and enforced in accordance with the laws of the Province of Ontario and each of the parties hereby attorns to the jurisdiction of the courts of Ontario.

8. **Counterparts.** The parties may execute this agreement by facsimile or other electronic means and in separate counterparts, each of which when so executed and delivered shall be an original, and all such counterparts taken together shall constitute one instrument.

[Execution page to follow]

IN WITNESS WHEREOF the parties hereto have executed this agreement as of the Effective Date.

EPCOR UTLITIES INC.

Per: "*Original signed by Bruce Brandell*"
Name: Bruce Brandell
Title: Director, Commercial Services

EPCOR SOUTHERN BRUCE GAS INC.

Per: "*Original signed by Bruce Brandell*"
Name: Bruce Brandell
Title: Director, Commercial Services

SCHEDULE A

Agreements:
Letter agreement dated February 19, 2016 to EPCOR Utilities Inc. re Natural Gas Distribution Project in Southern Bruce County, Ontario from The Municipality of Kincardine, The Municipality of Arran Elderslie and The Township of Huron-Kinloss.

Franchise Agreement dated February 22, 2016 between The Municipality of Kincardine and EPCOR Utilities Inc.

Franchise Agreement dated February 22, 2016 between The Municipality of Arran-Elderslie and EPCOR Utilities Inc.

Franchise Agreement dated February 22, 2016 between The Township of Huron-Kinloss and EPCOR Utilities Inc.

Irrevocable Option
Letter dated February 22, 2016 from EPCOR Utilities Inc. re Irrevocable Option offered to the Municipalities to Municipality of Kincardine, The Municipality of Arran-Elderslie and Township of Huron-Kinloss.

THIS GUARANTEE is made on the 23rd day of March, 2016.

BY: EPCOR Utilities Inc.

(the "**Guarantor**")

IN FAVOUR OF: The Municipality of Kincardine

(the "**Municipality**")

WHEREAS:

(A) The Guarantor has entered into certain agreements as set out in Schedule "A" with the Municipality and with the Municipality of Arran-Elderslie and The Township of Huron-Kinloss (collectively the "**Municipalities**") and also provided to the Municipalities an irrevocable option as set out in Schedule "A" (such agreements and option collectively referred to as the "**Project Agreements**"); and

(B) The Guarantor has assigned all of its rights and obligations under each of the Project Agreements to EPCOR Southern Bruce Gas Inc., its wholly-owned subsidiary (the **Company**"), pursuant to an Assignment and Assumption Agreement dated March 23, 2016, (the "**Assumption Agreement**"), and the Company has agreed to assume and perform all of the rights, duties and obligations of the Guarantor under the Project Agreements and the Guarantor as ultimate parent of the Company, has agreed to guarantee in the manner hereinafter set forth the due performance by the Company of its obligations under the Project Agreements.

NOW IT IS HEREBY AGREED AS FOLLOWS:

1. **Guarantee**. For good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, subject to the other terms hereof, the Guarantor hereby unconditionally and irrevocably guarantees the performance of all the obligations of the Company to the Municipality under or in respect of each of the Project Agreements (the "**Obligations**") when and to the extent that performance of the Obligations becomes due according to the terms of the Project Agreements. For greater certainty, the foregoing is subject to the proviso that with respect to the provisions of the Project Agreements which relate to the potential acquisition of securities of the Company by the Municipalities, the Guarantor's Obligations shall be only to cause the Company to properly perform such Obligations and shall not be deemed or interpreted to provide any right on the part of the Municipality (or any of the Municipalities) to acquire securities of the Guarantor or any corresponding obligation on the part of the Guarantor to issue securities of the Guarantor.

2. **Performance / Payment.**

   (a) The Guarantor shall promptly after receipt of written demand from the Municipality that includes: (i) notice that the Company has failed to perform any Obligation(s) under the Project Agreements, and (ii) a description of the Obligation(s) that the Guarantor is to pay, perform or discharge, proceed with, or cause to be proceeded with, the payment, performance or discharge of such Obligation(s) under the Project

Agreements, without any obligation on the part of the Municipality to initiate any prior action or proceeding against the Company or any other party.

(b) If and to the extent that the Guarantor, for any reason, after receiving demand pursuant to Section 2(a), does not perform, pay or discharge any of the Obligations in accordance with this Guarantee, then the Guarantor shall indemnify the Municipality, promptly on receipt of written demand from the Municipality, in respect of any claim, demand, proceedings, liability, loss, damage, costs, charges or expenses arising out of any failure by the Company to perform each and all of the Obligations, in each case pursuant to the Project Agreements when and if such Obligations become due and payable or performable according to the terms of the relevant Project Agreement.

(c) The Guarantor shall indemnify the Municipality, promptly upon receipt of written demand from the Municipality, against any loss or liability suffered by the Municipality as a result of any Obligation being or becoming unenforceable, invalid or illegal (other than as a result of an act or omission of the Municipality) as if the Obligation had not become unenforceable, invalid or illegal, provided that the Guarantor's liability shall be no greater than the Company's liability under the Project Agreements would have been if the Obligation had not become unenforceable, invalid or illegal and provided further that the Guarantor shall not be obligated to perform any obligation to the extent that it would be illegal for it to do so. For greater certainty, this Section 2(c) is subject to the provisions of Section 4.

3. **Liability Absolute; Insolvency.**

(a) This Guarantee is a continuing guarantee, is absolute and shall apply to all Obligations whenever arising, and shall continue in full force and effect until the payment, observance and performance in full of the Obligations. This Guarantee is not revocable and may be enforced against the Guarantor without first having recourse to and without taking any steps or proceedings against the Company. Notwithstanding anything else contained in this Guarantee, the Municipality shall not make a claim pursuant to this Guarantee unless the Company is in default pursuant to the terms of any of the Project Agreements and notice of such default has been given to the Company in accordance with the Project Agreements.

(b) Neither the liability of the Guarantor hereunder nor the rights of the Municipality in relation to this Guarantee shall be discharged, released, reduced, impaired or affected by reason of: (i) any failure to obtain, preserve or perfect any right against the Company; (ii) any proceedings against the Company pursuant to any law relating to bankruptcy, insolvency, restructuring or affecting creditors' rights; or (iii) the winding up, dissolution, administration, incapacity, lack of power or re-organization of the Company, or any change in its status, function, control or ownership or any lack or deficiency in the authority of any person acting on behalf of the Company, in connection with the Company's obligations under the Project Agreements, or by any other act or omission of the Company, or liabilities of the Guarantor hereunder or any of the rights, remedies or powers conferred upon the Municipality.

(c) If any payment by the Company in respect of the Obligations is avoided or annulled or must be repaid as a result of insolvency or bankruptcy of the Company, the liability of the Guarantor will continue as if such payment had not occurred (and to the extent necessary, the guarantee of the Guarantor will automatically be reinstated).

4. **Guarantor Defences**. Notwithstanding any other provision of this Guarantee, the Guarantor shall have all the protections, limitations, waivers, exclusions and rights that the Company has under the Project Agreements or otherwise in law or equity and, in particular, may assert as a defence to any claim by the Municipality for payment or performance hereunder in respect of any claim by the Municipality against the Company under the Project Agreements (a "**Company Claim**"), any defence, claim, counterclaim, set-off or deduction which the Company could have asserted in respect of such Company Claim.

5. **Amendment of Project Agreements.** The Guarantor hereby authorizes (without need for further consent) the Company to make any amendment, addendum or variation to the Project Agreements in accordance with their terms, the due and punctual performance of which amendment, addendum or variation shall be likewise guaranteed by the Guarantor in accordance with the terms of this Guarantee.

6. **Amendment of Guarantee**. This Guarantee may only be amended by an instrument in writing executed by the parties expressly stating their agreement to amend this Guarantee and no amendment shall be deemed to arise by reason of any course of conduct or oral or electronic communication.

7. **Successors and Assigns.** This Guarantee shall inure to the benefit of and be binding upon the respective successors and assigns of the Municipality and the Guarantor.

8. **Partial Invalidity.** Should any provision of this Guarantee be unenforceable or invalid, the other provisions hereof shall remain in force.

9. **Notices.** Any account, demand, consent, record, election or notice required or permitted to be given under this Guarantee shall be in writing and sent by personal delivery or telecopy addressed as follows:

If to the Municipality, to:

The Municipality of Kincardine
1475 Concession R, RR5
Kincardine, Ontario N2Z 2X6

Attention: Mayor Anne Eadie
Facsimile: 519-396-8288

If to the Guarantor to:

EPCOR Utilities Inc.
2000 – 10423 101 Street NW
Edmonton, Alberta T5H 0E8

Attention: Associate General Counsel
Facsimile: 780-441-7118

or in each case to such other person or address or addresses as the party entitled to receive the same may notify in writing to the other party. All notices by facsimile shall also be sent by post on the day of sending. Notices shall be deemed given when received.

10. **Term.** The term of this Guarantee shall commence on the effective date of the Assumption Agreement and the liability of the Guarantor hereunder shall expire concurrently with the expiration of the term of the Project Agreements, except with respect to any claims existing prior to such expiry date, in which case this Guarantee shall not terminate with respect to such claims until such claims have been satisfied in full.

11. **Counterparts.** This Guarantee is or may be executed in one or more counterparts, each of which contains one original signature. Any single counterpart or a set of counterparts executed, in either case, by all of the parties, shall constitute a full, original and binding agreement for all purposes.

12. **Governing Law.** This Guarantee shall be construed in accordance with the laws of the Province of Ontario, and the Guarantor agrees that any legal suit, action or proceeding arising out of or relating to this Guarantee may be instituted in the courts of such jurisdiction, and the Guarantor hereby accepts and irrevocably submits to the non-exclusive jurisdiction of the said courts.

SIGNED IN Edmonton the day and year first above written.

EPCOR UTILITIES INC.

By: "*Original signed by Guy Bridgeman*"
Name: Guy Bridgeman
Title: Senior Vice President and Chief Financial Officer

SCHEDULE A

Agreements:
Letter dated February 19, 2016 to EPCOR Utilities Inc. re Natural Gas Distribution Project in Southern Bruce County, Ontario from The Municipality of Kincardine, The Municipality of Arran Elderslie and The Township of Huron-Kinloss.

Franchise Agreement dated February 22, 2016 between The Municipality of Kincardine and EPCOR Utilities Inc.

Irrevocable Option
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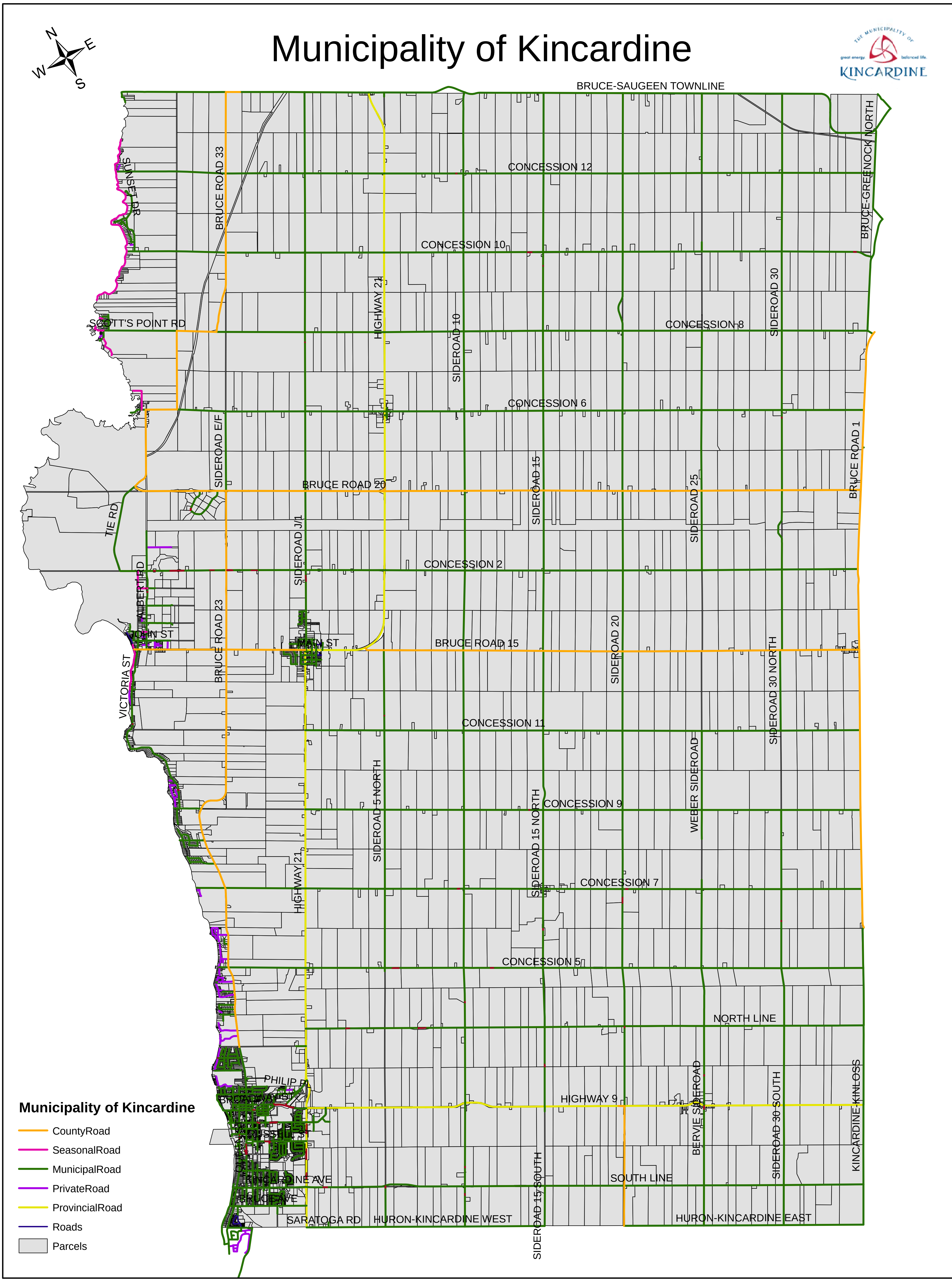
SCHEDULE “G”

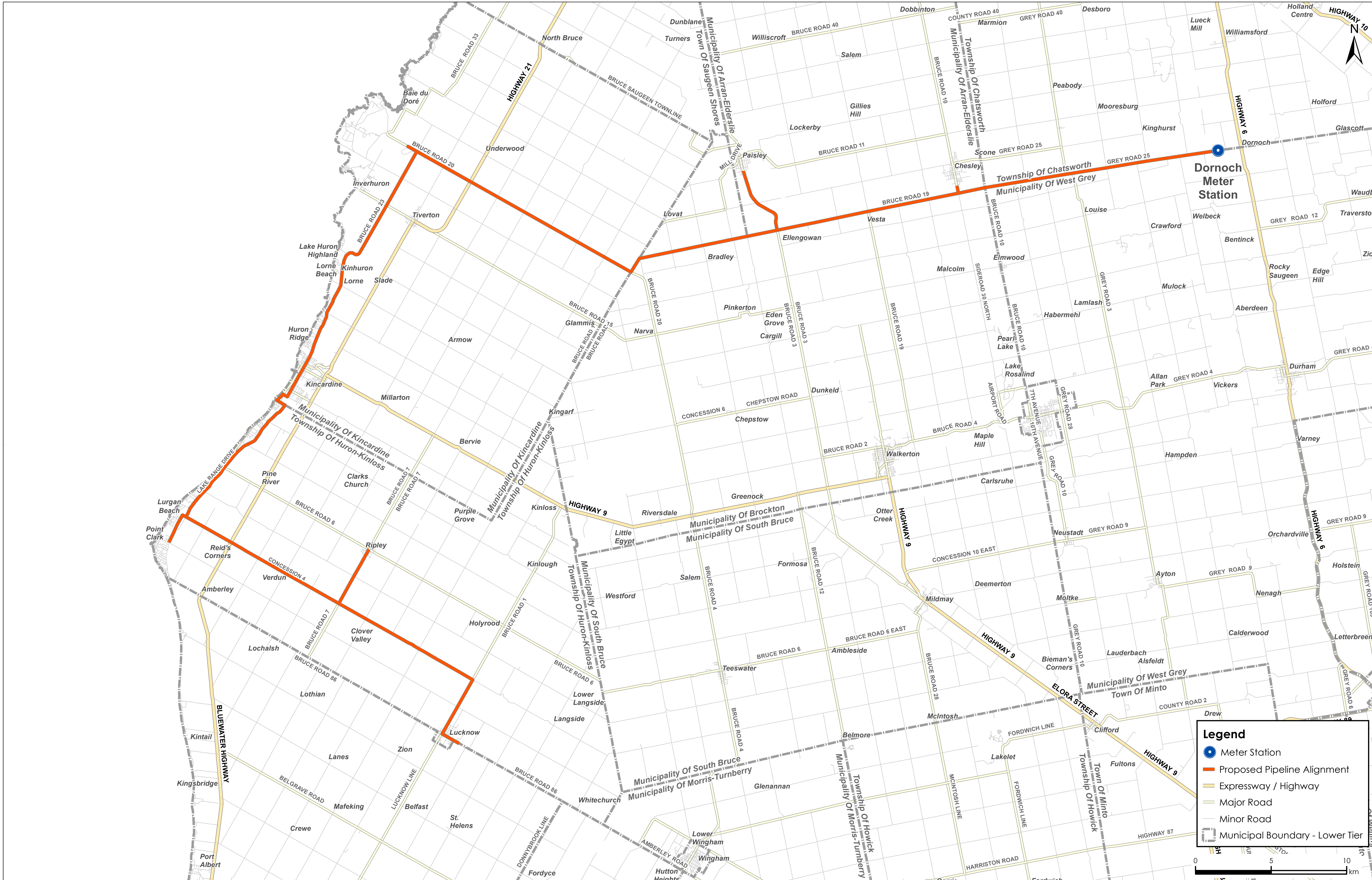
[see attached]



Municipality of Kincardine
N
E
S
W
BRUCE-SAUGEEN TOWNLINE
CONCESSION 12
CONCESSION 10
CONCESSION 8
CONCESSION 6
BRUCE ROAD 20
CONCESSION 2
BRUCE ROAD 15
CONCESSION 11
CONCESSION 9
CONCESSION 7
CONCESSION 5
NORTH LINE
HIGHWAY 9
SOUTH LINE
SARATOGA RD
HURON-KINCARDINE WEST
HURON-KINCARDINE EAST
SUNSET DR
BRUCE ROAD 33
HIGHWAY 21
SIDEROAD 10
SIDEROAD 30
BRUCE-GREENOCK NORTH
SCOTT'S POINT RD
SIDEROAD E/F
SIDEROAD 15
SIDEROAD 25
BRUCE ROAD 1
TIE RD
SIDEROAD J/1
ALBERT RD
JOHN ST
MAIN ST
VICTORIA ST
BRUCE ROAD 23
SIDEROAD 20
SIDEROAD 30 NORTH
SIDEROAD 5 NORTH
SIDEROAD 15 NORTH
WEBER SIDEROAD
HIGHWAY 21
BROADWAY ST
RUSSELL ST
KINCARDINE AVE
BRUCE AVE
BERVIE SIDEROAD
SIDEROAD 30 SOUTH
KINCARDINE-KINLOSS
SIDEROAD 15 SOUTH
Municipality of Kincardine
CountyRoad
SeasonalRoad
MunicipalRoad
PrivateRoad
ProvincialRoad
Roads
Parcels

SCHEDULE “H”

[SEE ATTACHED]



Legend
Meter Station
Proposed Pipeline Alignment
Expressway / Highway
Major Road
Minor Road
Municipal Boundary - Lower Tier
0
5
10
km
N
Dornoch Meter Station
Dornoch
Holland Centre
HIGHWAY 10
Lueck Mill
Williamsford
Dobbinton
Desboro
COUNTY ROAD 40
Marmion
GREY ROAD 40
Dunblane
Turners
Williscroft
BRUCE ROAD 40
Salem
North Bruce
BRUCE ROAD 33
HIGHWAY 21
Baie du Doré
BRUCE SAUGEEN TOWNLINE
Municipality Of Arran-Elderslie
Town Of Saugeen Shores
Township Of Chatsworth
Municipality Of Arran-Elderslie
BRUCE ROAD 10
Peabody
Mooresburg
HIGHWAY 6
Holford
Gillies Hill
Lockerby
Kinghurst
Glascott
Underwood
BRUCE ROAD 20
Paisley
MILL DRIVE
BRUCE ROAD 11
Scone
GREY ROAD 25
Chesley
Township Of Chatsworth
Municipality Of West Grey
Inverhuron
Tiverton
BRUCE ROAD 23
Lovat
BRUCE ROAD 19
Vesta
Ellengowan
Louise
Welbeck
Crawford
Waudby
GREY ROAD 12
Traverston
Bentinck
Lake Huron Highland
Lorne Beach
Kinhuron
Lorne
Slade
Bradley
Malcolm
Elmwood
Zion
Rocky Saugeen
Edge Hill
SIDEROAD 30 NORTH
Mulock
Aberdeen
Lamlash
GREY ROAD 3
BRUCE ROAD 15
Glammis
Pinkerton
Eden Grove
Narva
Cargill
BRUCE ROAD 3
Habermehl
Huron Ridge
Armow
Pearl Lake
Lake Rosalind
Durham
GREY ROAD 4
Allan Park
Vickers
Kincardine
Millarton
CHEPSTOW ROAD
CONCESSION 6
Chepstow
Dunkeld
Kingarf
AIRPORT ROAD
7TH AVENUE
10TH AVENUE
GREY ROAD 28
Municipality Of Kincardine
Township Of Huron-Kinloss
Maple Hill
BRUCE ROAD 4
BRUCE ROAD 2
Walkerton
Varney
Hampden
Bervie
Municipality Of Kincardine
Township Of Huron-Kinloss
Carlsruhe
Pine River
Clarks Church
BRUCE ROAD 7
LAKE RANGE DRIVE
Greenock
Lurgan Beach
HIGHWAY 9
Kinloss
Riversdale
Municipality Of Brockton
Municipality Of South Bruce
Otter Creek
Purple Grove
BRUCE ROAD 6
Neustadt
GREY ROAD 9
Orchardville
Point Clark
Little Egypt
Ripley
Reid's Corners
CONCESSION 4
Verdun
Kinlough
Formosa
Salem
BRUCE ROAD 12
CONCESSION 10 EAST
Holstein
Ayton
Amberley
Westford
Township Of Huron-Kinloss
Municipality Of South Bruce
Deemerton
Mildmay
Moltke
Nenagh
GREY ROAD 109
Clover Valley
Holyrood
BRUCE ROAD 1
Calderwood
Lochalsh
BRUCE ROAD 86
Ambleside
BRUCE ROAD 6 EAST
Letterbreen
Teeswater
Lauderbach
Alsfeldt
Bieman's Corners
GREY ROAD 10
Lothian
Lower Langside
Langside
BRUCE ROAD 28
ELORA STREET
Municipality Of West Grey
Town Of Minto
COUNTY ROAD 2
Drew
Lucknow
McIntosh
Clifford
Kintail
BLUEWATER HIGHWAY
Lanes
Zion
Belmore
FORDWICH LINE
Lakelet
Fultons
Kingsbridge
BELGRAVE ROAD
Mafeking
LUCKNOW LINE
Belfast
Municipality Of South Bruce
Municipality Of Morris-Turnberry
Glenannan
Township Of Howick
Municipality Of Morris-Turnberry
MCINTOSH LINE
Town Of Minto
Township Of Howick
Whitechurch
St. Helens
Crewe
DONNYBROOK LINE
Lower Wingham
Wingham
AMBERLEY ROAD
HIGHWAY 87
Port Albert
Fordyce
Hutton Heights
HARRISTON ROAD
Gorrie
Fordwich