EPCOR UTILITIES INC.

2021
ANNUAL
INFORMATION
FORM

February 17, 2022

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PRESENTATION OF INFORMATION

This Annual Information Form (AIF) provides material information about the business and operations of EPCOR Utilities Inc. 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.

Unless otherwise noted, the information contained in this AIF is given at or for the year ended December 31, 2021. Amounts are expressed in Canadian dollars unless otherwise indicated. Financial information for the year ended December 31, 2021 is presented in accordance with the International Financial Reporting Standards (IFRS), except where otherwise noted.

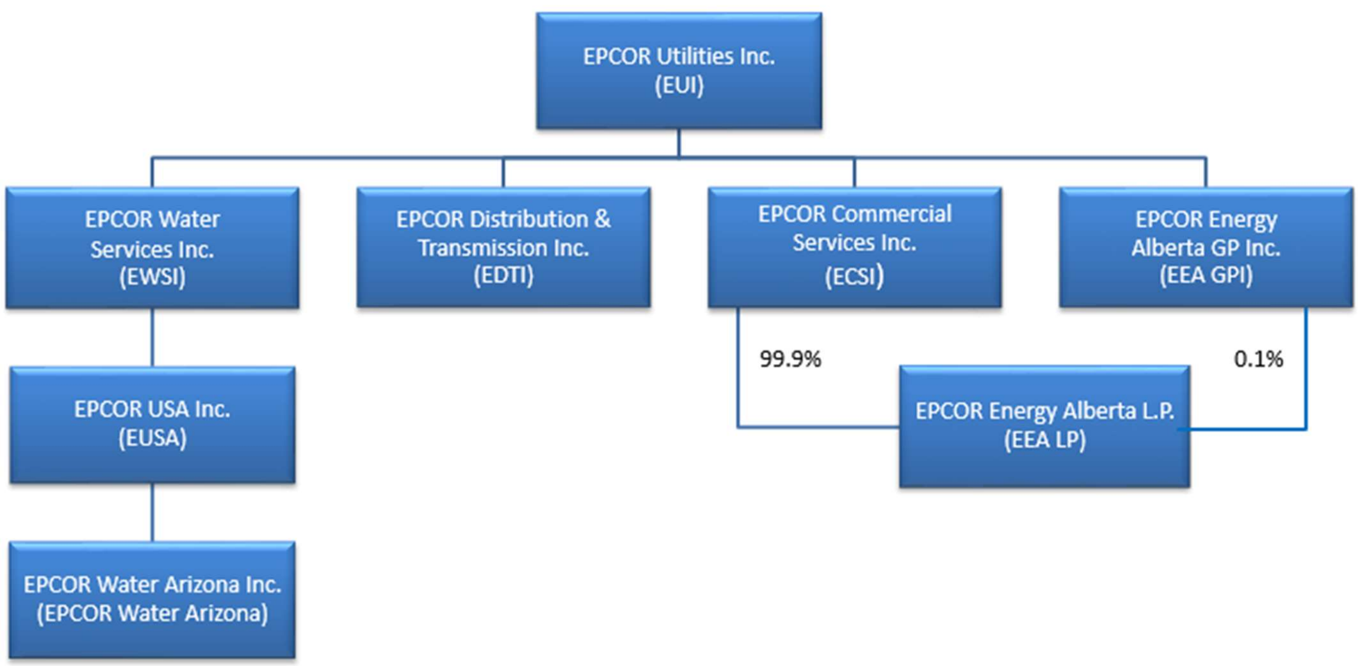
The Corporation's Management Discussion and Analysis (MD&A) for the year ended December 31, 2021 and the Corporation's Audited Consolidated Financial Statements for the year ended December 31, 2021, both dated February 17, 2022, provide additional information. Copies of these documents are available on SEDAR at www.sedar.com or through the Corporation's website, www.epcor.com. ***Unless otherwise specifically stated, none of the information contained on, or connected to EPCOR's website is incorporated by reference herein.***

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 or the Shareholder) is the sole common shareholder of the Corporation.

The head 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 December 31, 2021:



The assets and revenues of the Corporation's subsidiaries not included in the diagram above did not individually exceed 10% of the consolidated assets or consolidated revenues and in aggregate did not exceed 20% of the consolidated assets or consolidated revenues of EPCOR as at and for the year ended December 31, 2021.

All common voting shares and limited partnership units of all material subsidiaries of the Corporation shown above are wholly owned by EPCOR Utilities Inc., either directly or indirectly. All material subsidiaries are incorporated or formed in Alberta, except for EUSA, which is incorporated in Delaware and is qualified to carry on business in the states of Arizona, New Mexico and Texas, and EPCOR 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 February 2019, EPCOR received Alberta Utilities Commission (AUC) approval to build a new solar farm on EPCOR owned land at its existing E.L. Smith water treatment plant. The project also required re-zoning of the E.L. Smith water treatment plant lands intended to be used for the solar farm. Following a public hearing, re-zoning approval was granted by the City in October 2020. In December 2020, an opponent of the project, Edmonton River Valley Conservation Coalition Society (ERVCCS), filed a judicial review of Edmonton City Council's (City Council) re-zoning approval alleging that the City erred in failing to apply the deemed essential test as set out in the North Saskatchewan River Valley Area Redevelopment Plan Bylaw. The review application was heard in November 2021 and in January 2022 the court dismissed ERVCCS' application. ERVCCS filed an appeal of the decision to the Alberta Court of Appeal and the appeal is anticipated to be heard by the end of 2022. Several other appeals or challenges were filed by the ERVCCS, however, those were withdrawn. A development permit for the project was issued by the City in May 2021 and construction began in June 2021. The project is expected to be substantially completed by mid-2022.

In November 2019, voters in the city of Bullhead City, Arizona, U.S. passed Proposition 415, authorizing the local government to acquire EPCOR's Mohave and North Mohave water systems and operations using powers of eminent domain, which is the right of a government to expropriate private property for public use with payment of fair and equitable compensation. The passage of Proposition 415 allowed the City of Bullhead City (Bullhead City) to pursue the purchase of EPCOR's assets through a legal process, and failing agreement between the parties, ultimately allowed the courts to determine the purchase price. In March 2020, Bullhead City filed a suit seeking to expropriate, and take immediate possession of, the utility systems. In May 2021, the judge in the suit ruled that Bullhead City must post a bond in the amount of $101 million (US$80 million) in order to take possession of and begin operating the water utility systems as municipal utility systems. The ruling did not set the final purchase price of the water utility systems and the fair value (FV) of the water utility systems was to be determined by a jury trial. The Corporation received the required bond proceeds in September 2021 and transferred the water utility systems and operations to Bullhead City in compliance with the court order. In January 2022 a settlement agreement was reached resulting in a final purchase price of $126 million (US$100 million). The financial impact of the water utility system operations is not material to EPCOR's operations or financial condition.

In March 2020, with the emergence of the novel coronavirus (COVID-19) pandemic, EPCOR activated its business continuity plan to ensure continued operations of the Corporation's essential services. During the course of the pandemic in 2020 and throughout 2021, EPCOR was able to continue providing uninterrupted services to all of its customers with little or no impacts on the status of operations or on capital spending requirements. EPCOR will continue to monitor the operational and economic impacts that COVID-19 has in 2022 and will adjust plans as necessary to ensure continued and uninterrupted services to our customers.

Throughout the pandemic, EPCOR has continued to monitor and take action to protect the health and safety of the Company's employees, customers and communities against the spread of COVID-19. The Corporation has been focused on mitigating ongoing risks to its employees, customers and essential operations posed by COVID-19 and ensuring the continued safe and reliable supply of essential services. EPCOR continues to review operating strategies and contingency plans to ensure it remains well positioned for ongoing safe and effective execution of work during the pandemic and this includes actively monitoring public health guidelines and continuously reviewing safety measures as new information becomes available. EPCOR also continues to monitor the impact of the pandemic on the Company's workforce, critical vendors and supply chains, government policy, regulatory actions and the broader economy, including electricity demand, electricity market prices and financial market conditions.

As part of its pandemic response, EPCOR moved the majority of non-field/plant employees to working from home and only reporting to work sites where physical presence was operationally required. Throughout the pandemic, EPCOR has focused on employee engagement, productivity, resiliency and wellness. Where employees were required to report to work sites or operational locations, EPCOR implemented several practices and processes to ensure the continued health and safety of its employees including appropriate physical distancing, barriers, use of masks, enhanced sanitation practices and splitting of work crews. In late 2021, the Corporation adopted a mandatory vaccination status disclosure requirement and enhanced safety measures for unvaccinated employees reporting to operational sites, including presenting a negative rapid test no more than 72 hours old at the beginning of a shift or workday. EPCOR continues to have its employees working from home, except where operationally required, and will continue to do so until the Corporation determines that the risk of outbreaks within the workforce from returning employees to operational sites and offices can be managed safely.

In addition to physical safety from COVID-19 outbreaks, EPCOR focused on supporting the mental health and wellness of its workforce. EPCOR provided various resources to support leaders, launched learning resources, and conducted pulse surveys to ensure we had insight into the mental state and productivity of our employees so that we could respond with additional support where needed. Employee use of EPCOR's Employee and Family Assistance Program was significant in 2020 and 2021. EPCOR also shifted how training was delivered during COVID-19, with many courses delivered virtually.

In 2021, EPCOR developed a framework for a more permanent hybrid work program, which will offer eligible employees the opportunity to work remotely part of the time post pandemic. This will include training for managers to manage remote and hybrid work teams. Registration for the program has begun and it will be implemented in 2022.

In 2020, most of the jurisdictions where EPCOR has utility operations implemented various measures such as the temporary deferral of utility bill payments and the temporary suspension of utility customer disconnection and collections activities, to assist utility customers as a result of the economic impacts of the pandemic. The impact of these measures reduced net income and cash flows in 2020 as EPCOR had increased expected credit losses, slower customer payments and various lost revenues, however these items did not have a material impact on EPCOR's financial results. Recovery of these losses related to the Utility Payment Deferral Program which impacted the Energy Services business segment commenced in the fourth quarter of 2021 and the Company expects to continue to recover amounts incurred across the impacted business segments through various regulatory means over time. EPCOR also experienced lower than anticipated water and electricity consumption related to commercial customers as a result of the economic slow-down resulting from COVID-19, however, these impacts have been in part offset by higher water and electricity consumption from residential customers and have not resulted in a material impact on the Corporation's revenues in 2020 and 2021. While EPCOR did incur incremental cost measures to comply with various public health guidelines and internal procedures implemented to keep employees and the public safe, these costs did not have a material impact on net income in 2020 and 2021.

In March 2020, EPCOR entered into a 20-year design, build, own, maintain and transfer agreement with the Trans Mountain Pipeline L.P. and a corresponding design-build agreement with a partnership between Kiewit Energy Group and Western Pacific Enterprises. Under the agreement EPCOR will build and maintain electrical sub-station infrastructure along the Trans Mountain pipeline expansion project. As part of the agreement, EPCOR acquired certain assets completed in respect to the electrical sub-station infrastructure from Trans Mountain Pipeline L.P. EPCOR began construction on the project in April 2020 and the majority of the construction was completed in 2021, with work at two locations to be finalized in 2022. EPCOR will provide maintenance services for the remaining 20-year period of the agreement.

In October 2020, EPCOR entered into an Asset Purchase Agreement with Johnson Utilities LLC (Johnson) to acquire Johnson's utility assets which are located in the San Tan area of Arizona. Johnson provided services to approximately 30,000 water and 42,000 wastewater customers and holds a certificate of convenience and necessity (CC&N) that covers 414 square kilometers in the southeastern Phoenix metropolitan area. In December 2020, the Arizona Corporation Commission (ACC) approved the purchase of Johnson's utility assets by EPCOR. In January 2021, the Johnson utility assets were acquired for $141 million (US$110 million) and transferred to EPCOR, with EPCOR Water Arizona assuming full control of utility operations.

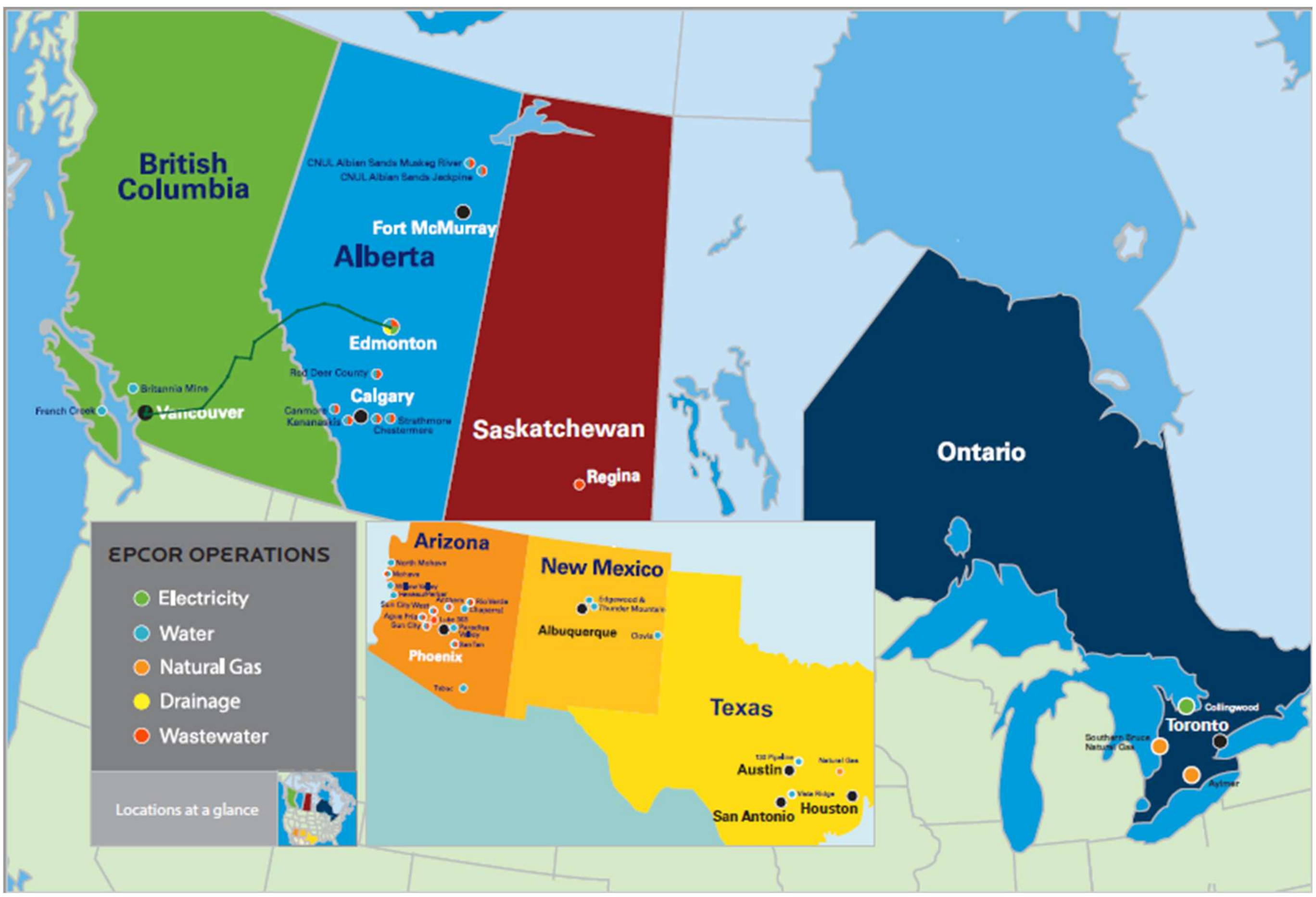
In August 2021, EPCOR published its 2020 Environmental, Social and Governance (ESG) Report, which included a scorecard of 25 performance measures and 17 targets. EPCOR's Board of Directors and executive leadership oversaw the development of the ESG performance measures and reporting. The process included a materiality assessment that sought feedback from stakeholders representing a broad range of interests and experiences. EPCOR's report focuses on 10 ESG factors that stakeholders and management rated as most material to the Corporation.

In December 2021, EPCOR entered into a 30-year agreement with Ontario Power Generation to design, build, own, operate, maintain and transfer a demineralized water treatment plant at the Darlington Nuclear Generating Station. As of December 2021, design of the facility was nearly complete and the construction is anticipated to be completed in mid-2023, with an operations period of 30 years until 2053.

DESCRIPTION OF EPCOR'S BUSINESS

EPCOR builds, owns and operates water, electrical and natural gas transmission and distribution networks, water and wastewater facilities and sanitary and stormwater systems and infrastructure in Canada and the U.S. EPCOR also provides water, electricity and natural gas products and services to residential and commercial customers. EPCOR provides Regulated Rate Option (RRO) and default supply electricity related services, and sells electricity and natural gas to Alberta residential consumers under contracts through its Encor brand. EPCOR provides design, build, finance, operating and maintenance services for water and wastewater and electrical infrastructure for municipal and industrial customers in Canada and the U.S. EPCOR operates its business under the Water Services, Distribution and Transmission, Energy Services and U.S. Operations business segments, with all other businesses which are not part of these business segments included in Other. EPCOR operates in Canada and the southwestern U.S. In addition, EPCOR also intends to invest in renewable energy projects, where commodity risk can be appropriately managed, as part of its environmental initiatives.

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



WATER SERVICES

The Water Services business segment's operations, conducted through EWSI and its Canadian subsidiaries, are comprised of two operational business units:

- Water Canada, which is primarily involved in the treatment, transmission, distribution and sale of water, and the treatment of wastewater; and
- Drainage, which is primarily involved in the collection and conveyance of sanitary wastewater and stormwater.

Water Services has operations primarily within Edmonton as well as in various communities across western Canada. Water Services also provides wholesale water supply and services to seven regional water service commissions and municipalities (collectively the regional water customer group or RWCG), surrounding Edmonton, under long-term supply contracts. The segment's Water Canada business unit also includes the provision of design, build, finance, operating and maintenance services for municipal and industrial customers in western Canada.

Facilities

EPCOR owns and operates two potable water treatment plants (WTP) and one wastewater treatment plant (WWTP), as well as the potable water distribution and transmission network and the sanitary wastewater and stormwater collection and conveyance facilities within Edmonton. Additionally, EPCOR owns or operates water treatment, wastewater treatment, potable water distribution and / or wastewater collection facilities at 11 locations in Alberta, British Columbia and Saskatchewan.

Facilities Owned and Operated by EPCOR

Potable water treatment and distribution

EPCOR's potable water facilities within Edmonton include two WTPs, and a potable water transmission and distribution network with 4,284 kilometers of transmission and distribution mains and 306,642 service connections that connect customers to the water transmission and distribution network, 22,125 hydrants and 75,652 valves. The system also includes 13 reservoir sites with an aggregate capacity of 811 megalitres (million litres).

The Rossdale WTP, located on the North Saskatchewan River (NSR) near Edmonton's downtown core, was first commissioned in 1947. The E.L. Smith WTP, located in southwest Edmonton, upstream on the NSR, was commissioned in 1976. Through improvements and optimization of treatment processes at E.L. Smith and Rossdale, including coagulation optimization and ultraviolet (UV) treatment, water production capabilities at these plants have increased to keep pace with growing demand. EPCOR has withdrawal licences with an annual diversion limit of 203,523 megalitres per year (or alternatively 203,523,000 cubic meters per year). These licences also have maximum short term withdrawal rates that equate to 2,342 megalitres per day. This compares to the current combined plant capacity of 680 megalitres per day.

The following table provides volume details for the two WTPs in Edmonton:

WTP	Plant Production Capacity [1] (megalitres 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.

Annually, EPCOR's two Edmonton WTPs treat approximately 125,000 megalitres of water. 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 WTPs. UV treatment provides an additional barrier against protozoa contaminating drinking water and enhances drinking water quality. EPCOR has made proactive process and procedural changes to remove chlorine from controllable waste streams that are returned to the NSR from the WTPs. When winter conditions are stable, the two WTPs in Edmonton have, since 2009, utilized direct filtration, which reduces the amount of chemicals and solids that are returned to the NSR.

EPCOR continues to upgrade the underground water distribution infrastructure within Edmonton through an annual water main replacement program, which was started in 1986 and originally targeted cast iron water main replacement. In 2021, 11 kilometers of water mains, including 9 kilometers of cast iron water mains, were replaced at a total cost of $41 million. Of the 1,220 kilometers of cast iron water mains originally installed, 537 kilometers remain in service. EPCOR's efforts have significantly reduced the total number of annual water main breaks. In 1986, prior to the commencement of the replacement programs, the annual number of water main breaks peaked at 1,600, compared with 304 water main breaks in 2021.

Since 2008, EPCOR has had a lead management program to address customer sites within Edmonton serviced through lead service pipes. Further information regarding the lead management program is included below under "Environmental Regulation and Initiatives".

Sanitary wastewater and stormwater collection and conveyance

Collection and conveyance of sanitary wastewater and stormwater is carried out through sanitary and stormwater collection infrastructure. The sanitary collection infrastructure includes 2,850 kilometers of sanitary sewer pipes and 266,050 service connections that connect all customers to sanitary and combined trunk sewer systems, which includes 820 kilometers of combined sewers which convey both sanitary wastewater and stormwater. Sanitary and combined trunks then deliver wastewater directly to the Gold Bar wastewater treatment plant (Gold Bar).

A portion of the conveyance of wastewater is carried out pursuant to an agreement between EPCOR and the Alberta Capital Region Wastewater Commission (ACRWC). Located between Edmonton and Fort Saskatchewan, Alberta, the ACRWC WWTP treats wastewater from Clareview in northeast Edmonton and from the Clover Bar Industrial Area and, in exchange, EPCOR's sanitary and combined sewer systems convey wastewater from the County of Leduc and the Town of Beaumont for treatment at Gold Bar.

The stormwater collection infrastructure includes 3,344 kilometers of storm sewer pipes, 172,331 storm service connections, 62,545 catch basins, 87,912 manholes, 95 pump stations and 307 stormwater management facilities. Stormwater collection infrastructure is connected to the stormwater trunk sewers. Stormwater trunks then deliver stormwater to natural watercourses, creeks and the NSR. Stormwater management facilities are strategically incorporated within the stormwater collection system to provide peak flow attenuation, stormwater retention and flood mitigation. Man-made stormwater facilities such as wet and dry ponds also remove over 20,000 tonnes of total suspended solids each year before discharging to the NSR outfalls.

In 2021, capital and operational projects focused on the improvement and expansion of the underground infrastructure system, reduction of odour nuisances, reduction in flooding risk through improvement to the stormwater system and protection of infrastructure due to corrosion. These projects were planned with a focus on delivering on capital and operating efficiencies.

Wastewater treatment

EPCOR provides wastewater treatment services in Edmonton at Gold Bar, which began operating in 1956. Gold Bar is an advanced WWTP with a focus on three areas of treatment:

i. During normal weather conditions the plant processes on average 256 megalitres per day with full treatment including biological nutrient removal and pathogen reduction.

ii. During wet weather conditions, including heavy rain or snow melt, the plant processes increased flows from EPCOR's combined sanitary and stormwater sewer system:
    - up to 600 megalitres per day of enhanced primary treatment;
    - up to 1,200 megalitres per day of primary treatment processes; and
    - removal of floatable objects up to a capacity of 2,200 megalitres per day.

iii. Regardless of weather conditions, membrane filtration reclaims up to 15 megalitres per day for re-use by industrial clients.

Annually, Gold Bar treats approximately 100,000 megalitres of wastewater flow. Gold Bar is also responsible for management and operations of biosolids. Biosolids management includes interim storage, dewatering and beneficial use of the biosolids produced at Gold Bar and the ACRWC plants.

Non-owned Facilities Operated by EPCOR

EPCOR operates water and wastewater facilities under contracts with various municipal and industrial customers in Alberta, British Columbia and Saskatchewan. The most significant of these is with the City of Regina as described below. Other communities or regions EPCOR provides water and / or wastewater services to include Canmore, Kananaskis, Strathmore, Chestemere and Red Deer County. As well, EPCOR provides water and / or wastewater services to industrial customers in the Fort McMurray region and at Britannia Mine in British Columbia.

EPCOR operates the WWTP located in Regina under a 30-year agreement that includes upgrades to the existing plant (which were completed in prior years), operating the plant and partial financing of the completed upgrades.

Competitive Conditions and Rate Regulation

EPCOR has an exclusive franchise within Edmonton for the provision of potable water services pursuant to a Water Services Franchise Agreement between EWSI and the City, the current term of which runs to December 2039, but may be extended for additional periods as may be agreed to by the City and EWSI.

In March 2009, the City and EWSI entered into a Wastewater Treatment Franchise Agreement whereby EWSI was granted the exclusive right to provide wastewater treatment services within Edmonton. This agreement will expire in March 2029, but may be extended for an additional 10-year period, and for as many such successive renewals as may be agreed to by the City and EWSI.

In September 2017, EWSI and the City entered into a Drainage Utility Services Franchise Agreement whereby EWSI was granted exclusive right to provide sanitary and stormwater collection and conveyance services within Edmonton. This agreement will expire in March 2029, but may be extended for additional periods as may be agreed to by the City and EWSI.

City Council regulates EPCOR’s potable water treatment and distribution, wastewater treatment, and sanitary wastewater and stormwater collection and conveyance services under a performance based regulation (PBR) framework. Under the PBR framework, customer rates are adjusted for inflation and expected efficiency improvements over a multi-year term. The PBR framework is intended to allow EPCOR the opportunity to recover its prudently incurred costs and to earn a fair rate of return on invested capital, while providing an incentive to manage costs below inflation. Under the framework, customers receive stable and predictable rates over three to five year terms while requiring EPCOR to meet performance measures in the areas of customer service, the environment, water quality, system reliability and employee safety.

As of the date of this AIF, the current PBR framework covering EPCOR’s potable water treatment and distribution services and wastewater treatment services is set out in Bylaw 17698, the EPCOR Water Services and Wastewater Treatment Bylaw. In October 2016, City Council approved water treatment and distribution and wastewater treatment rates for the April 2017 to March 2022 period. The approval included an allowed return on equity of 10.175%. The approval also provides that a non-routine adjustment (NRA) to rates may be allowed to recover certain costs outside EPCOR’s control if certain criteria are meet, as stipulated under the Bylaw. For the April 2017 to March 2022 period, City Council has approved four NRAs related to:

i. reductions in corporate administration cost allocations resulting from the transfer of sanitary wastewater and stormwater collection and conveyance operations to EPCOR;
ii. the annexation of portions of Leduc County;
iii. relocation of water distribution assets due to light rail transit (LRT) construction; and
iv. EPCOR’s mitigation strategy to address lead in drinking water.

In August 2021, City Council approved Bylaw 19626 – EPCOR Water Services which covers EPCOR's potable water treatment and distribution services. This bylaw approves rates for the April 2022 to March 2027 period. The approval included an allowed return on equity of 9.89% which was then reduced by 0.25% to reflect the risk reduction following the implementation of a customer consumption deferral account. For the April 2022 to March 2027 period, the City approved the following adjustments: (i) collection of costs related to the 90 Day Payment Deferral Program implemented in 2020 as part of the response to the COVID-19 pandemic, and (ii) the transfer of the collection of Public Fire Protection fees from the City to EPCOR customers as part of the water rates.

Wholesale 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. These rates are subject to appeal to the AUC by way of a complaint application.

As of the date of this AIF, the current PBR framework covering EPCOR's sanitary wastewater and stormwater collection and conveyance services is set out in Bylaw 18100, the EPCOR Drainage Services Bylaw. In September 2017, following the transfer of sanitary wastewater and stormwater collection and conveyance operations from the City to EPCOR, City Council approved the sanitary wastewater and stormwater rates and terms and conditions for the January 2018 to March 2022 period. This Bylaw reflects EPCOR's commitment to hold average annual rate increases to 3% until March 2022.

For the January 2018 to March 2022 period, City Council has approved three NRAs to the sanitary wastewater and stormwater collection and conveyance rates related to: (i) the Stormwater Integrated Resource Plan (SIRP), for additional information see "Environmental Regulation and Initiatives" below; (ii) a corrosion and odour reduction strategy (CORe), for additional information see "Environmental Regulation and Initiatives" below; and (iii) relocation of collection and conveyance assets due to LRT construction. These NRAs were added to the variable monthly service charges beginning January 2020. In February 2020, Bylaw 18100 was amended to include performance measures, targets and penalties to ensure standard levels of performance are achieved in the areas of customer service, the environment, system reliability and employee safety.

In August 2021, City Council approved Bylaw 19627 – EPCOR Drainage Services and Wastewater Treatment Bylaw. This bylaw approved new customer rates and terms and conditions of service for sanitary wastewater and stormwater collection and conveyance, and wastewater treatment for the April 2022 to March 2025 period. The approval included an allowed return on equity of 9.89% for wastewater treatment which was then reduced by 0.25% to reflect the risk reduction following the implementation of a customer consumption deferral account, 9.95% for sanitary wastewater and stormwater collection and conveyance and 9.95% for the SIRP and CORe activities. The return on equity for wastewater treatment, SIRP and CORe apply for the entirety of this PBR term, while the return for the sanitary wastewater and stormwater collection and conveyance services will be implemented on an inclining basis over the 2022 to 2026 period in equal increments, starting at 5.50% in 2022. The return on equity to the full 9.95% in 2025 and 2026 will require further approval in a future bylaw. The City also approved the following adjustments: (i) collection of costs related to the 90 Day Payment Deferral Program implemented in 2020 as part of the response to the COVID-19 pandemic; (ii) CORe; and (iii) SIRP.

The Water Services business segment also provides commercial 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 its commercial water business, EPCOR faces competition from other Canadian and international water companies. To grow the business, EPCOR must remain cost competitive and continue to demonstrate its technical water expertise and strong customer service focus.

Environmental Regulation and Initiatives

General

The Water Services business segment is subject to federal, provincial and municipal environmental laws, regulations and guidelines concerning its businesses. EPCOR is committed to complying with or surpassing environmental regulatory requirements and mitigating the environmental impact of its operations. EPCOR is also committed to working with stakeholders with a view to 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. EPCOR's Health, Safety and Environment Management System (HSE-MS), which is further described below under the heading EPCOR Health, Safety and Environment Policy, encompasses identification of the scope, objectives, training and stewardship of EPCOR's environmental responsibility.

Each of Water Services' facilities is subject to environmental audits to help ensure compliance with the EPCOR HSE-MS and all applicable compliance obligations. As of December 2021, operations at Gold Bar, the Evan-Thomas Water and Wastewater Treatment Facility in Kananaskis, the Edmonton WTP's, reservoirs, distribution and transmission water operations, all of Drainage's facilities, the Regina WWTP, the Britannia Mine WTP, and the Strathmore and Canmore water and wastewater systems are registered under the internationally recognized ISO 14001 standard for environmental management systems.

For all of EPCOR's operations in Alberta, drinking water quality and wastewater effluent quality for water and wastewater treatment operations, respectively, are regulated under the provincial *Environmental Protection and Enhancement Act*. Regulation under the *Environmental Protection and Enhancement Act* takes the form of an approval to operate or a code of practice which specifies, among other things, requirements for the quality of treated water, the number, frequency and type of water quality testing, as well as mandatory standards for the water and wastewater treatment processes. The drinking water quality requirements in Alberta meet or exceed the national Guidelines for Canadian Drinking Water Quality recommended by Health Canada. EPCOR also maintains a water quality monitoring plan and internal water quality standards that exceed both the Health Canada guidelines and Alberta requirements.

Drinking water quality assurance within EPCOR's potable water treatment and distribution system in Edmonton, which includes WTPs, reservoirs and the distribution system, occurs, in part, by ensuring testing of the treated drinking water at EPCOR's ISO 17015 accredited laboratory. EPCOR utilizes more than 150 on-line analyzers that monitor the drinking water continuously at the two WTPs for key parameters such as chlorine residual, turbidity, colour, pH and conductivity. Monitoring of drinking water quality provides an assessment of the overall performance of the system and the ultimate quality of drinking water being supplied to customers. EPCOR also maintains a Drinking Water Safety Plan (DWSP) which is a source-to-tap assessment of the risks to drinking water safety, along with measures to address those risks. EPCOR reviews and updates the DWSP annually. EPCOR's water quality monitoring program and the DWSP are important elements for ensuring public health protection.

<u>Lead in Drinking Water</u>

In March 2019, Health Canada released a new guideline that reduced the maximum acceptable concentration for lead in drinking water from ten micrograms per litre to five micrograms per litre and changed the point of measurement from the municipal drinking water system, with water tested at the customer's property line, to the tap in the customer's premises. In response, Alberta Environment and Parks (AEP) is requiring utilities to have lead management plans in place by 2025. Prior to 1960, lead was one of the materials used to construct water service lines, which connect a home or business to the water mains beneath the street or alley. Responsibility for water service lines is shared between homeowners and the utility, with homeowners generally responsible for the portion of the line on their property.

Since 2008, EPCOR has had a proactive lead management program to address the approximately 1.4% of properties within Edmonton currently serviced through lead service pipes. EPCOR's lead management program is focused on proactively contacting customers with lead services lines, raising customer awareness, offering and conducting free water sampling and testing, encouraging replacement of lead service lines (LSL) and offering solutions like tap mount filters that remove lead. In July 2019, the City, as Water Services' rate-regulator, approved the recovery of costs of a new program that will involve:

- Addition of orthophosphate, a corrosion inhibitor, dosing to the treated drinking water to reduce the release of lead from LSLs and from a customer's in-premise plumbing materials;
- Acceleration of complete LSL removal by fully funding replacement of both EPCOR's and the homeowner portion of the LSL for properties at a higher level of risk, that being where the lead concentration at the tap is expected be greater than five micrograms per litre after orthophosphate addition; and
- Expanding from the previous practice of replacing only the utility side up to the customer's property line of the LSL, to full replacement including the customer side, during water main renewals and emergency repairs.

Design of the orthophosphate dosing systems at the Edmonton WTPs has started and the current timeline will see the systems in-service by the end of 2022. The full LSL replacement program started in 2020 and will continue until higher risk LSLs are removed, forecast to be completed by the end of 2022.

Environmental Related Initiatives

Water Services is pursuing or involved in a number to projects and activities to improve water quality, improve asset resilience and reduce its greenhouse gas (GHG) and other emissions, including hydrogen sulfide (H_2S) and other malodourous compounds, footprint:

- The Edmonton potable water treatment and distribution system, including the E.L. Smith and Rossdale WTP's, and the reservoirs and water distribution system, were granted a new 10-year operating approval by AEP commencing in May 2021. The new approval is no longer tied to the AEP EnviroVista Champion program, which has been discontinued by the AEP, however EPCOR continues to be committed to several initiatives which EPCOR set under that program, including exceeding minimum drinking water monitoring requirements and maintaining ISO 14001 environmental management system registration.

- EPCOR is an active member of the North Saskatchewan Watershed Alliance, the watershed planning and advisory council for the NSR 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 NSR from impurities such as soil particles, excess nutrients, fertilizers, microbiological contaminants and organic pollutants. Watershed protection planning and implementation activities are also underway for other areas of Alberta. EPCOR continues to participate in an initiative to establish a comprehensive monitoring program for the NSR basin. Working with partners including AEP, the North Saskatchewan Watershed Alliance and the City, a network has been established of water quality and flow monitoring stations in the basin that span from the headwaters to the Saskatchewan border. Funding for the program is in place through March 2027.

- EPCOR is developing additional measures to improve infrastructure resilience and continuity of operations of the Rossdale and E.L. Smith WTP's and Gold Bar, located along the banks of the NSR. For further details, refer to the section below titled "Climate Change".

- EPCOR is developing a 13.6 megawatt solar farm and a 4 megawatt battery energy storage system at its E.L. Smith WTP site that is intended to meet the electricity needs of the WTP. For further details, refer to the section below titled "Climate Change".

- EPCOR is exploring a renewable natural gas (RNG) facility at Gold Bar. Biogas, a by-product of the anaerobic digestion process in wastewater treatment, is treated to remove impurities like H_2S, carbon dioxide (CO_2) and siloxanes. The resulting product, sometimes referred to as bio-methane, is of a quality that allows it to be injected into the municipal natural gas grid. Currently, approximately 50% of the biogas produced at Gold Bar is used for plant and process heating, with the rest being flared. For further details, refer to the section below titled "Climate Change".

- Improvements at Gold Bar in 2021 included initiating construction on upgrades to odour management, wet chemical scrubber and building ventilation systems to continue to reduce emissions from the site and improve safety within buildings. Also included was design for an air quality monitoring station in the neighboring community to become fully operational in early 2022.

- EPCOR's biosolids management program sets annual targets for the reuse of partially dewatered biosolids produced at Gold Bar in order to maintain the service and operation of the Clover Bar lagoons. The program repurposes biosolids for use as fertilizer for agricultural land and for land reclamation from natural disturbances, such as forest fires, and man-made impacts, such as mining.

SIRP and CORe

In 2018, the Drainage business unit of Water Services initiated the development of SIRP to provide a risk based approach to prioritize investments in stormwater infrastructure for the purpose of flood mitigation. SIRP was identified by the City as one of the action items to support the overall ability to adapt to changing climate conditions and aligns with the City's Climate Change Adaptation and Resiliency Strategy. In 2019, EPCOR presented the City's Utility Committee with various options to execute the SIRP program, with a recommended 20-year capital plan with a cost of $1.6 billion. A formal NRA application was filed by EPCOR in August 2019, and was approved in November 2019.

SIRP program has the following five investment objectives:

i. Slowing the entry of stormwater into the sanitary wastewater and stormwater collection and conveyance network by absorbing it in green infrastructure, including low impact development, such as raingardens, naturalized vegetated swales and soil cells, and holding it in stormwater management facilities to create space in the collection system.

ii. Moving excess water safely away from areas at risk, quickly and efficiently.

iii. Helping to secure individual properties in higher risk areas against sewer backups, overland flooding and river flooding. Measures to accomplish this include proactive inspections that recommend private improvements to individual properties to decrease flooding risk, installation of backflow preventers which prevent backup and flood damage from system capacity issues and potential partnerships for green infrastructure placement.

iv. Predicting and managing the movement of stormwater through smart sensors and technologies that integrate into the collection system.

v. Responding through capital investment in pumps, flood barriers and other emergency response equipment, and strategically pre-staging the equipment for flood response. This includes the development of flood response plans in high risk areas with individual customers.

Within the SIRP 20-year capital budget, $470 million is allocated to dry stormwater management facility construction, $420 - $570 million to low impact development and green infrastructure construction, $300 million to tunnels, trunks and sewer separation within the remaining network of the combined sewer system, $60 million to enhance flood proofing, $30 million to install automatic control gates at outfalls for flood management into the receiving water body, $100 million to reduce inflow and infiltration into the sewer system that increases risk of flooding, $70 million to monitoring and controls and $45 million to emergency response equipment.

Drainage has also developed a CORe strategy that focuses on preventing the formation of H_2S gas in the sewer system, which will reduce community odour impacts and increase the life of sewer network assets. The current CORe strategy segregates Edmonton into regions with consistent odour issues, dynamic odour issues and those with emerging odour issues. Different approaches are being developed for each region to specifically address the underlying issues.

The CORe strategy includes both capital projects and operating expenses which have been approved in the April 2022 to March 2025 PBR period. The capital projects and operating activities in the CORe strategy can be classified into the following four investment objectives:

i. Preventing the formation of H_2S gas in the sewer system through the construction of bypass tunnels as well as the provision of improved access points for both inspection and cleaning purposes by eliminating obstacles to flow and significant deposits of sediment, fats, oil and grease. This also includes preventing the collapse of sewer trunk lines through the rehabilitation of pipes impacted by H_2S gases.

ii. Optimizing pumping operations in the system to keep wastewater moving and eliminate the opportunity of H_2S gas formation, and by adding chemical treatment to the system.

iii. Monitoring the system by using real-time monitoring technologies and improved inspection data to identify and understand present and future problem areas along with the effectiveness of the remediation measures.

iv. Controlling the release of air from the sewer system by reducing air pressure in the sewers through the addition of containment structures and providing controlled release points in areas with least impacts to the environment.

Revenues and Sales Volumes

The Water Services business segment represented approximately 32%[1] of EPCOR's total revenues in 2021 and 34%[1] in 2020.

Water Services' core market is stable as it has the exclusive franchises to provide potable water treatment and distribution, wastewater treatment, and sanitary wastewater and stormwater collection and conveyance services within Edmonton. Twenty-year water supply agreements were renewed in 2018 and 2019 with seven RWCG members who in turn supply water to over 65 surrounding communities and counties.

The following table shows a three-year history of EPCOR's annual Canadian water sales volumes for Edmonton and surrounding regions:

Greater Edmonton Water Sales Volumes

(megalitres)	2021	2020	2019
Residential	50,305	48,105	44,603
Multi-Residential	19,229	18,499	17,767
Commercial and Industrial	22,342	21,407	26,133
Wholesale (to RWCG)	36,918	33,610	33,970
Total	128,794	121,621	122,473

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The following table shows the volumes of sanitary wastewater transported, based on metered water volumes, for the last three completed financial years:

Sanitary Volumes

(megalitres)	2021	2020	2019
Residential	49,977	48,289	44,575
Multi-Residential	19,036	18,439	17,755
Commercial	19,793	18,835	23,026
Total	88,806	85,563	85,356

Seasonality

The Water Services business 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 Services' potable water treatment costs can vary due to seasonality and in particular during run-off periods, depending on raw water quality. Water Services' wastewater treatment costs have relatively low variability throughout the year primarily due to the more consistent flows of wastewater and a lower treatment requirement for these flows.

DISTRIBUTION AND TRANSMISSION

The Distribution and Transmission business segment operations are primarily conducted through EDTI which owns and operates high voltage substations, 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), an independent not-for-profit entity which operates the AIES. EDTI also owns and operates aerial and underground distribution lines and related facilities for the distribution of power to end users within its distribution service area in Edmonton. EDTI provides its distribution infrastructure and service to electricity retailers who in turn provide electricity service to end use customers.

[1] The percentages of total revenues for each business segment is a non-GAAP ratio and is not a standardized financial measure under IFRS and might not be comparable to similar financial measures disclosed by other issuers. This ratio is Revenue for each segment divided by Consolidated Revenue for the Corporation, with both amounts coming directly from the Segment Information in the Corporation's Audited Consolidated Financial Statements for the years in question. The ratio shows the relative contribution of each of the business segments towards the consolidated Revenue of the Corporation.

EPCOR Technologies Inc. (Technologies), a wholly-owned, non-material subsidiary of the Corporation, is also part of the Distribution and Transmission business segment. Technologies has historically provided non-regulated engineering design, construction and maintenance services related to transportation and other electrical infrastructure, including LRT, to the City, commercial customers and EPCOR affiliates through contractual arrangements. Technologies has also provided engineering, project management and other technical support services to EPCOR affiliates. EPCOR has decided to cease certain aspects of Technologies' business over the course of 2022 and 2023 (see below under Competitive Conditions and Rate Regulation for more information).

Facilities

EPCOR owns 72 kilovolt (kV), 138 kV, 240 kV and 500 kV lines and cables routed through 31 transmission substations that are primarily situated within and around Edmonton. The substations feed distribution delivery points within Edmonton. EPCOR operates 266 circuit kilometers of aerial and underground transmission lines and cables, which are interconnected with the AIES and are largely situated on lands held under easements, utility rights-of-way and licenses or permits for rights-of-way.

EPCOR distributes electrical energy to end users in Edmonton through four distribution substations, 298 distribution feeders and 6,921 circuit kilometers of primary distribution lines at 5 kV, 15 kV and 25 kV. In 2021, EPCOR distributed approximately 9% of provincial energy consumption to 389,082 residential and 39,761 commercial end users in Edmonton.

Competitive Conditions and Rate Regulation

EPCOR provides electricity transmission services within its service area pursuant to Section 9 of the AESO Rules. EPCOR's transmission function is regulated by the AUC pursuant to the *Electric Utilities Act* (EU Act) 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 current cost-of-service approval will expire in December 2022. EPCOR will file a new cost-of-service application with the AUC in the second half of 2022.

EPCOR also has the exclusive right to provide electricity distribution services in Edmonton under a 20-year franchise agreement between EDTI and the City. The franchise agreement expires in January 2024, and may be extended for any term agreed upon between EDTI and the City.

Since 2013, EPCOR's distribution business has been regulated under the AUC's PBR framework, under which, rates are adjusted annually based on an inflation factor less a productivity factor plus a growth factor, in addition to supplemental capital funding based on the average level of capital additions in the prior PBR period. Under limited circumstances EPCOR can also apply for additional funding for non-routine capital projects. The current distribution PBR will expire in December 2022.

EPCOR's distribution function will complete its second PBR term in December 2022. In June 2021, the AUC determined that the 2023 distribution revenue requirement will be set through a cost-of-service application in which EPCOR distribution's revenue requirement will be determined through a full forecast of its costs for 2023. EPCOR filed its application with the AUC in January 2022. Later in June 2021, the AUC issued its decision that there will be a third PBR term commencing in January 2024. The 2023 distribution cost-of-service rates will be the basis for determining costs for the beginning of the third PBR term.

In October 2021, the AUC issued a decision that revised the regulatory accounting treatment for AESO-directed customer contributions. Pursuant to this decision, any AESO-directed customer contributions made after April 2021, will require distribution facility owners to expense the contributions for regulatory purposes in the year that they occur. Pursuant to this decision, these contributed expenses will be included in EPCOR's next annual distribution rate application for recovery. EPCOR has applied for permission to appeal this decision with the Court of Appeal of Alberta, which was granted in January 2022 and EPCOR filed its Notice of appeal in January 2022.

For the 2021 fiscal year, the AUC approved generic return on equity was 8.50% and debt / equity ratio was 63% / 37%. In March 2021, the AUC approved the extension of these 2021 Generic Cost of Capital parameters for the 2022 fiscal year. The return on equity and debt / equity ratio values apply to both EPCOR's distribution and transmission businesses.

The *Code of Conduct Regulation* under the 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, as amended. The Inter-Affiliate Code of Conduct 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 Inter-Affiliate Code of Conduct reside with the affected EPCOR utility subsidiaries.

The Technologies division of the Distribution and Transmission business segment historically has been a street lighting and LRT contactor for municipal and commercial customers. Prior to 2019, Technologies was the primary provider of street lighting services to the City. However, starting in 2019, the City has, through a competitive bid process, distributed this work between Technologies and several other contractors. Technologies subsequently signed two agreements with the City, one in which the City can directly assign work to Technologies (mostly in the LRT area), and a second one in which Technologies was one of several contractors allowed to bid and compete for work. The overall impact of the new agreements has been a very significant reduction in the amount of work that Technologies has received from the City, and a significant decrease in Technologies income. However, this has not resulted in a material financial impact on the Corporation. As a result of the significant reduction in work, a decision has been made to phase out electrical services field work for the City and commercial contracts, including LRT, over the course of 2022 but continue to provide EPCOR affiliates with professional services, project management and other services.

Environmental Regulation and Initiatives

The Distribution and Transmission business segment assets include aerial and underground electricity distribution and transmission facilities, substations, switchyards, and service centres. As of December 2021, all regulated electricity distribution and transmission operations were ISO 14001:2015 registered. The substations and switchyards do not require environmental approvals to operate but are subject to regulations governing spills, waste management, dewatering, noise and the release of sulfur hexafluoride, a potent GHG contained in gas-insulated switchgear equipment. 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 (PCBs) remaining in the electrical system transformers and wooden poles containing pentachlorophenol or copper chromate. Activities related to PCBs are governed by federal, provincial and municipal levels of government, often concurrently, through regulations and bylaws. Environment Canada regulations require the removal of assets in the electricity infrastructure containing more than 50 parts per million of PCBs from the electrical system by 2025 and EPCOR is on track to meet this goal.

EDTI has fifteen 72 kV and two 240 kV Oil Filled Pipe Type (OFPT) underground transmission cables which cross underneath the NSR 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 breach of the OFPT cable underneath or on the bank of the NSR could result in the release of cable oil into the river. To reduce potential environmental damage associated with an oil release, EDTI has installed barrier splices in the OFPT cables at river crossings and continuous monitoring devices and alarms in its control centre.

Revenues and Sales Volumes

The Distribution and Transmission business segment represented approximately 22%[2] of EPCOR's total revenues in 2021 and 24%[2] in 2020.

Electricity distribution and transmission revenues consist of a regulator-approved revenue requirement to cover operation, maintenance and administrative costs plus a fair return on invested capital. Through its transmission tariff revenue, Distribution and Transmission earns approximately 25% of its total revenues from transmission services to the AESO. This business segment also includes unregulated commercial service revenues related to Technologies' transportation electrical infrastructure services.

[2] Refer to footnote 1.

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

Electricity Distribution Volumes			
(gigawatt hours)	**2021**	**2020**	**2019**
Residential	2,419	2,316	2,193
Commercial	5,094	4,933	5,267
Total	7,513	7,249	7,460

Seasonality

The electricity distribution and transmission business normally experiences some seasonality with respect to construction activities and associated capital and operating expenditures. Capital construction and operational activities are carried out year round with generally higher levels of construction activity between May to November. EDTI also experiences some seasonality with its regulated revenues, which typically peak during hot summer and cold winter periods, primarily due to residential cooling and heating usage.

The Technologies business is typically subject to more significant seasonal factors, with transportation related contract work and other project work being more concentrated during the second and third quarters each year.

ENERGY SERVICES

The Energy Services business segment operates primarily through EEA LP and provides RRO electricity services to residential, farm and small commercial consumers within Edmonton, several Rural Electrification Association 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 of electricity (which is 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 competitive retail contracts through its Encor brand. Finally, Energy Services provides billing, collection and contact centre services for water, wastewater, sanitary and stormwater services and the City waste department.

The 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

As Alberta is a deregulated electricity marketplace, all retail electricity customers in Alberta have a choice of retailers from whom they may purchase electricity. The RRO is the default option for customers that have not entered into contracts with a competitive electricity retailer. The RRO is a regulated electricity pricing option available to all eligible residential, commercial and farm / irrigation customers who consume less than 250-megawatt hours of electricity per year. Approximately 42% of total electricity consumption in Alberta, excluding self-retailers, is RRO eligible. Approximately 44% of residential and 36% of small commercial RRO eligible customers have chosen to stay with the RRO, meaning they have not signed a contract with a competitive electricity retailer[3]. Municipal, industrial and large commercial customers are not eligible for the RRO.

EPCOR has the exclusive right to provide RRO electricity services to customers in the EDTI electricity distribution service area. EPCOR also has the exclusive right to provide RRO electricity services to customers in FortisAlberta Inc.'s electricity distribution service area through 2028, with the potential for successive three-year renewal periods through 2040.

The RRO business, which comprises the majority of the Energy Services business segment operations, 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. The 2021 – 2022 RRO Non-Energy rate application, related to the recovery of customer services-related costs to serve regulated customers in the EDTI and FortisAlberta distribution territories, is in progress with a final decision expected

[3] As of October 2021, based on MSA Retail Statistics (2021-10-04 version)
https://www.albertamsa.ca/documents/retail-and-rate-cap/retail-statistics/?category%5B%5D=Retail+Statistics#documents

in the first half of 2022. Energy Services filed an application for the implementation of RRO Non-Energy interim rates. A decision on this application was received in October 2021, wherein the AUC approved the 2021 and 2022 Non-Energy interim rates as filed, which became effective in December 2021.

The *RRO Regulation* under the EU Act 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 electricity.

Energy Services' allowed electricity revenue is determined in accordance with EPCOR's approved EPSP. Under the EPSP, Energy Services manages its exposure to customer load and fluctuating wholesale electricity spot prices by entering into financial electricity purchase contracts in advance of the month of consumption under a defined risk management process. Energy Services received approval of the 2018-2021 EPSP in March 2018. The 2018 – 2021 EPSP was implemented in April 2019 and applies a market based mechanism to set EPCOR's risk compensation which further increases the alignment between changes in wholesale market conditions and EPCOR's commodity risk compensation. In the first quarter of 2021, an application was filed with the AUC for the 2021-2024 EPSP and a final decision on the plan was received in October 2021, wherein the AUC approved the EPSP as filed. The 2021-2024 EPSP will be in effect commencing in May 2022.

In addition to the RRO, EPCOR participates in the competitive retail market by offering electricity and natural gas contracts to Alberta consumers under the Encor brand, partly to mitigate the impact of RRO customer attrition. The expanded service offering, including green electricity options, provides customers wishing to move from the RRO a competitive contract alternative with EPCOR.

Given the deregulated electricity marketplace in Alberta, in relation to both RRO services and competitive contracts offered by Encor, EPCOR competes with other energy retailers such as EnMax, Direct Energy, Just Energy and ATCO. Increased competition, new service offerings and different pricing strategies from competitors may result in loss of EPCOR customers.

Revenues and Sales Volumes

The Energy Services business segment represented approximately 26%[4] of EPCOR's total revenues in 2021 and 21%[4] in 2020.

The following tables outline EPCOR's retail electricity and natural gas sales volumes for the periods indicated:

Retail Electricity Sales

(gigawatt hours)	**2021**	**2020**	**2019**
RRO	4,499	4,545	4,700
Default & Competitive Supply	1,225	1,009	974
Total	5,724	5, 554	5, 674

Retail Natural Gas Sales

(terajoules)	**2021**	**2020**	**2019**
Competitive Supply	10,418	9,251	8,242

Seasonality

Energy Services experiences seasonal consumption-based sales volume variability, with higher electricity consumption in months with fewer daylight hours and colder weather requiring space heating and those with hotter weather requiring air conditioning.

These higher sales volumes also cause higher consumption based expenditures.

[4] Refer to footnote 1.

U.S. OPERATIONS

The U.S. Operations business segment is conducted through EUSA and its subsidiaries that provide regulated water, wastewater and natural gas utility services and contracted services in the southwestern U.S. These services include water treatment, distribution, transmission and wastewater collection and treatment services, as well as natural gas distribution, transmission, procurement and construction services.

Through its wholly-owned subsidiaries EPCOR Water Arizona, Rio Verde Utilities Inc. (Rio Verde) and EPCOR Water New Mexico Inc. (EPCOR Water New Mexico), EUSA operates in nine water utility districts containing one or more water treatment and / or distribution facilities, and four wastewater utility districts containing one or more wastewater treatment and / or collection facilities. The water and wastewater utility districts consist of developer-built communities within a number of municipalities in Arizona and New Mexico.

In Texas, EPCOR owns EPCOR 130 Project Inc. and 130 Regional Water Supply Corporation (together, EPCOR 130), which distributes water to contracted wholesale customers in central Texas through a pipeline that carries untreated water from the well field to a termination point near the city of Manor and includes pump stations and storage tanks. EPCOR 130 provides water under four existing water supply contracts with municipal customers. These wholesale water contracts are subject to Texas Public Utilities Commission appellate review, however, to date no reviews have been carried out.

Near Houston Texas, EPCOR owns EPCOR Gas Texas Inc., a rate-regulated natural gas distribution company regulated by the Railroad Commission of Texas (RRC).

Also in Texas, EPCOR operates and maintains Vista Ridge, a 229 kilometers wholesale water supply pipeline that delivers groundwater to the city of San Antonio. EPCOR also owns a 5% minority ownership in Vista Ridge.

Facilities

Combined, EPCOR Water Arizona and Rio Verde provide water treatment and distribution and wastewater treatment services in eleven water utility districts, four wastewater utility districts, and various distribution and collection systems within Arizona. Both EPCOR Water Arizona and Rio Verde obtain water from three sources: (i) surface water mainly from the Central Arizona Project (CAP); a canal system built to bring water from the Colorado River to various areas in Arizona; (ii) groundwater wells; and (iii) treated effluent which is primarily for commercial and / or irrigation use. Surface water is treated at four facilities, as shown in the table below:

Plant	District	Production Capacity [1] (megalitres per day)
White Tanks	Agua Fria	101.09
Anthem	Anthem	26.50
Shea	Chaparral	62.79
Rio Verde	Rio Verde	2.65
Total		193.03

(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.

EPCOR Water New Mexico provides water treatment and distribution services in New Mexico in Clovis and in the greater Edgewood area near Albuquerque through three water utility districts. Water in New Mexico is sourced entirely from groundwater wells.

EPCOR 130 sells and transports raw water to four municipalities in Travis County through an 85 kilometers, 30-inch pipeline that carries groundwater from a well field in Burleson County to a single termination point near the city of Manor. The design capacity of the pipeline is 68 megalitres per day of which only 27 megalitres per day is presently utilized under the four existing contracts. Operation and maintenance of the EPCOR 130 pipeline includes regular inspection of the equipment and reviews of the maintenance program to ensure the pipeline is operated and maintained within regulatory requirements.

EPCOR Gas Texas owns and operate a 354 kilometers natural gas distribution network with 5,179 customer connections and a 51 kilometers natural gas transmission pipeline, respectively.

Competitive Conditions and Rate Regulation

EPCOR Water Arizona, Rio Verde and EPCOR Water New Mexico provide water and wastewater services under CC&Ns approved by the regulatory body in each state. Each CC&N establishes the right and obligation to provide water or wastewater service for an indefinite period of time, within a defined geographic area, that may be expanded at the utility's request if approved by the state regulatory body governing that area.

In addition to regulating specific aspects of service, the ACC regulates customer rates of EPCOR Water Arizona and Rio Verde water and wastewater customers under a cost-of-service based framework that allows utilities to recover operating costs and earn a fair return on invested capital. Both are required to apply to the ACC for changes in the rates charged for service. A rate increase request is primarily based on the sufficiency of revenues to cover operating expenses and capital costs (including depreciation, cost of debt and a return on rate base) at the end of the test year, which is the year that immediately precedes the rate application. In June 2020, EPCOR Water Arizona filed a rate case with a 2019 test year. In February 2022, a decision was received awarding a ROE of 9.1%.The decision removed the condemned Bullhead districts from the rate case. The Commission also approved consolidating six of our nine remaining water districts into one leaving EPCOR Water Arizona with a total of four districts.

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

Water rates for EPCOR 130 and Vista Ridge are set pursuant to long-term wholesale water supply contracts which are subject to appeal to the Texas Public Utilities Commission.

EPCOR Gas Texas are subject to the rules and rate regulations of the RRC under similar regulatory compliance requirements and rate making procedures as EPCOR Water Arizona, Rio Verde and EPCOR Water New Mexico, noted above. In 2020, EPCOR Gas Texas completed its first rate case filing with the RRC and were awarded new rates which came into effect January 2021.

The U.S. Operations business segment also provides commercial water and wastewater operations and maintenance services to commercial, industrial and municipal customers in the Southwestern United States and earns margins on these contracts by satisfying the terms of the contracts while controlling operating costs. In this business, U.S. Operations face competition from other U.S. and international water companies. To grow the business, U.S. Operations must remain cost competitive and continue to demonstrate its technical water expertise and strong customer service focus.

Environmental Regulation and Initiatives

<u>General</u>

Drinking water quality and wastewater standards for U.S. Operations are regulated by the U.S. Environmental Protection Agency (U.S. EPA) under the *Safe Drinking Water Act* and *Clean Water Act*. Among other things, the U.S. EPA sets drinking water standards specifying the treatment, source water protection, operator training and funding for water system improvement and relies on the states and localities to carry out the standards. Oversight of water and wastewater systems is conducted by state and county authorities to the degree that they establish standards at least as stringent as the U.S. EPA. This oversight takes the form of annual operating permits, approval of construction permits, aquifer protection permits and / or approval to discharge permits. Wastewater discharge that may adversely impact aquifers or ground water is exclusively regulated at state levels. The associated aquifer water quality rules vary by state, but generally take the form of aquifer protection-type permits. In 2021, U.S Operations conducted over 20,000 water quality tests on over 100 regulated physical, chemical and microbiological parameters which concluded that our water met the required drinking water standards.

The U.S. Operations' natural gas operations are regulated by the RRC, which regulates the exploration, production and transportation of oil and natural gas in Texas. Specifically, through its Oil and Gas Division, the RRC regulates all aspects of natural gas utilities including tariffs and rate schedules, pollution prevention and public safety awareness.

Per- and Polyfluoroalkyl Substances

In Arizona and New Mexico, two aquifers utilized as potable water sources for EPCOR operations have been contaminated with per- and polyfluoroalkyl substances (PFAS) as the direct result of past military base and / or land use activities not related to EPCOR operations. EPCOR and / or the corresponding environmental agencies have conducted testing for the presence of PFAS. No water production wells in Arizona have tested positive for the presence of PFAS at levels above established U.S. EPA health-based guidance levels, but ongoing surveillance monitoring will continue for wells located down gradient from the Luke Air Force Base in Arizona.

In 2019, perfluorooctanoic acid (PFOA) and / or perfluorooctane sulfonate (PFOS), the two most common PFAS constituents, were detected in eight of EPCOR's 82 potable water production wells in the Clovis, New Mexico system with detection levels ranging from two parts per trillion to 20 parts per trillion. PFAS detections for six wells are representative of sources that are not located down gradient from a known PFAS groundwater contaminant plume emanating from the Cannon Air Force Base. Accordingly, these wells are not currently believed to be impacted by the plume. Rather, the six wells are all located within 1,500 feet of the Town of Clovis fire stations and/or surface water retention ponds which are the likely sources of past PFAS aquifer contamination.

All wells with PFAS detections have been taken out of regular use and are only used intermittently when needed to meet peak summer day demands. When used in this manner, these wells are the last to be used and the first to be taken out of use when water demands decrease while additional testing and the review of treatment options, if needed, continue. In early 2020, EPCOR discussed the PFAS detections with both New Mexico Environment Department (NMED) staff and Clovis elected officials. EPCOR understands that NMED continues to pursue legal remedies with the Cannon Air Force Base, however, unless PFAS becomes regulated as either a hazardous substance and / or primary drinking water standard, a remedy via NMED's current legal action is unlikely. In 2021 Cannon Air Force Base obtained federal funding to construct and operate a pilot PFAS treatment plant. However, all treatment facilities including the extraction and recharge wells are expected to remain on Base property and are not expected to affect EPCOR's infrastructure.

There is no current U.S. EPA requirement to treat for these man-made substances, but the U.S. EPA issued a Drinking Water Health Advisory for two individual PFAS contaminants, PFOS and PFOA, not to exceed 70 parts per trillion, combined. The U.S. EPA is expected to release draft drinking water standards for combined PFOS/PFOA in the second half of 2022. EPCOR has retained specialized services to assess and determine the mobility rate of the PFAS plumes and any likely impacts. Moreover, the New Mexico Environment Department received special appropriation funding to, in part, help cover PFAS plume delineation costs.

None of the above have had, or are expected to have, a material impact on EPCOR.

Other Environmental Items/Activities

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

In Arizona, the Colorado River Basin continues to experience drought and the impacts of hotter and drier conditions. Based on projected levels of Lake Mead, the U.S. Secretary of the Interior has declared the first-ever Tier 1 shortage for Colorado River operations in 2022. This Tier 1 shortage will result in a substantial cut to Arizona's share of the Colorado River and nearly all of the reductions within Arizona will be borne by CAP water users. In 2022, reductions will be determined by the CAP priority system with the result that there will be less available Colorado River water for central Arizona agricultural users, however, EPCOR does not expect to see a reduction in its water supply available for residential and commercial use.

Revenues and Sales Volumes

The U.S. Operations segment represented approximately 15%[5] of EPCOR's total revenues in 2021 and 14%[5] in 2020.

The following table outlines U.S. water sales volumes for EPCOR Water Arizona, Rio Verde, EPCOR Water New Mexico and EPCOR 130 for the past three years:

U.S. Water Sales Volumes

(megalitres)	2021	2020	2019
Residential	77,853	69,432	63,799
Commercial and Industrial	21,220	24,654	21,628
Wholesale (by EPCOR 130)	3,551	4,001	2,942
Total	102,624	98,087	88,369

The following table outlines the distribution of natural gas volumes for EPCOR Gas Texas for the past three years:

U.S. Natural Gas Distribution Volume

(terajoules)	2021	2020	2019
Residential	288	246	250
Commercial	48	60	61
Other	5	2	3
Total	341	308	314

Seasonality

The U.S Operations business 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.

OTHER

Other includes EPCOR Electricity Distribution Ontario Inc. (EEDO) and EPCOR Natural Gas Limited Partnership (ENGLP) and Corporate Services. Other represented approximately 5%[6] of EPCOR's total revenues in 2021 and 7%[6] in 2020.

EPCOR Electricity Distribution Ontario Inc.

EEDO, formerly named Collus Powerstream Corp., was acquired by EPCOR in October 2018. EEDO develops and manages an electrical distribution network in the Ontario communities of Collingwood, Stayner, Creemore and Thornbury, and delivers electricity to five customer classes via its distribution system: residential, commercial, including small and large general service classes, street lighting and unmetered scattered loads. The utility earns income based on fixed and volumetric service charges for the distribution of this electricity. The service charges are set through a periodic rate making process via applications to the Ontario Energy Board (OEB).

EEDO has an urban service area of 45 square kilometers which is embedded within Hydro One Networks Inc.'s larger service area. EEDO operates and maintains approximately 375 kilometers of circuits, including 210 kilometers of overhead lines and 165 kilometers of underground conductor, deliver approximately 300 gigawatt hours to approximately 18,500 customers.

Competitive Conditions and Rate Regulation

EEDO, as an electricity distributor, is regulated by the OEB which has a legislative mandate to oversee various aspects of the Ontario electricity industry. EEDO is subject to a cost-of-service regulatory mechanism under which the OEB establishes the revenues required to recover forecast operating costs, including depreciation and

[5] Refer to footnote 1.
[6] Refer to footnote 1.

amortization, and to earn a fair return on invested capital. As actual operating conditions may vary from forecast, actual returns achieved may differ from approved returns.

In October 2018 the OEB approved EEDO's request for a one percent reduction in the EEDO's current electricity distribution rates for residential customers and the reduction is in effect for the first five years following the acquisition by EPCOR. The OEB also approved a deferral of rate rebasing for five years following EPCOR acquiring EEDO in October 2018. EEDO plans to file its 2023-2027 cost of service application in April 2022.

Environmental Regulation and Initiatives

EEDO's assets include aerial and underground electricity distribution facilities, substations, and service centres. The substations are subject to regulations governing spills, waste management, dewatering, noise and the release of sulfur hexafluoride, a potent GHG contained in gas-insulated switchgear equipment. These requirements and the associated risks are well known and are appropriately managed. Other environmental activities include the management and proper disposal of PCB's remaining in the electrical system transformers. This activity is governed by federal, provincial and municipal levels of government, often concurrently, through regulations and bylaws. Environment Canada regulations require the removal of assets in the electricity infrastructure containing more than 50 parts per million of PCBs from the electrical system by 2025 and EEDO is on track to meet this goal.

Seasonality, Revenues and Sales Volumes

EEDO's business experiences some seasonality. Revenues tend to be higher in the first and third quarters of a year as a result of higher energy consumption for winter heating in the first quarter and air conditioning and cooling in the third quarter. The volume of electricity consumed by customers during any period is governed by events largely outside of EEDO's control, principally sustained periods of hot or cold weather which increase the consumption of electricity and sustained periods of moderate weather which decrease the consumption of electricity. As a result of OEB's residential rate design initiative, effective May 2019, EEDO transitioned to a fully fixed distribution charge, resulting in consistent monthly distribution revenues and mitigating seasonal weather impacts.

The following table outlines EEDO's electricity distribution volumes:

Electricity Distribution Volumes

(gigawatt hours)	**2021**	**2020**	**2019**
Residential	147	144	135
Industrial	132	128	140
Commercial	48	46	50
Total	**327**	**318**	**325**

<u>EPCOR Natural Gas Limited Partnership</u>

ENGLP is a natural gas distribution business with two systems in Ontario:

- The Aylmer System - ENGLP distributes natural gas to over 9,000 residential, commercial and industrial customers in the counties of Elgin, Middlesex, Oxford and Norfolk in southwestern Ontario (the Aylmer System). The Aylmer System consists of 640 kilometers of distribution mains, the majority of which are made of polyethylene. The system is operated at pressures that range from 80 to 144 pounds per square inch gauge (psig) except in town centres where equipment reduces the pressure to 30 psig. ENGLP also owns and maintains a 30 kilometers 6" steel pipeline that directly feeds the IGPC ethanol plant in Aylmer.

- The Southern Bruce System - ENGLP is also in the process of constructing a gas distribution system in the Southern Bruce area of Ontario. Work on the system commenced in 2019 with steel mains and plastic distribution and service lines to be constructed to provide natural gas service connections to customers in Kincardine, Tiverton, Inverhuron, Paisley, Chelsey, Ripley and Lucknow. Through 2021, a total of 2,236 service lines have been installed with 1,836 customer consuming gas. Distribution and services in several communities will be completed in 2022.

Technical aspects of natural gas operations are regulated by the Technical Standards & Safety Authority which ensures compliance with the *Technical Standards & Safety Act* that governs fuel safety in the Province in Ontario.

Competitive Conditions and Rate Regulation

ENGLP has the right to provide gas distribution services to its customers under franchise agreements with the counties and municipalities in which it operates the Aylmer system and the Southern Bruce system. These franchise agreements are typically for 20 years with the current terms expiring at varying times, subject to renewal at those times.

The utility is regulated by the OEB which has a legislative mandate to oversee various aspects of the Ontario natural gas industry.

The Aylmer System's rates are regulated by the OEB under a price cap incentive cost-of-service rate setting framework. Under this framework, rate setting applications typically span five years and rates are set through a cost-of-service process for the first year and then adjusted in years two to five using a formulaic calculation. The Aylmer System's current cost-of-service filing is in effect until December 2024.

The Southern Bruce System's rates are regulated by the OEB based on approved cumulative revenue requirements for a 10-year rate stability period. The rate stability period ends December 2028, and therefore ENGLP will next bring forward a cost-of-service rate application for rates effective January 2029.

Environmental Regulation and Initiatives

ENGLP is currently in compliance with all applicable environmental rules and regulations pertaining to natural gas in Ontario. In response to the OEB's policy objectives regarding the analysis of supply options as outlined in the Framework for Gas Supply Plans, ENGLP has initiated the connection of an RNG facility within its Aylmer Franchise.

Seasonality, Revenues and Sales Volumes

ENGLP's systems experiences seasonal consumption-based distribution volume variability, with higher natural gas sales occurring in the fall and winter months. In addition to the lower temperatures precipitating higher demand for heating in these months, ENGLP's systems experience higher volumes from its agricultural customers in the fall during crop drying season. Apart from natural gas commodity cost, which is treated as a flow through to customers, the majority of ENGLP's systems' costs are fixed and do not increase with the higher volumes.

The following table contains ENGLP's Alymer system's distribution system natural gas sales volume:

Natural Gas Sales Volume

(terajoules)	**2021**	**2020**	**2019**
Residential	672	654	715
Commercial	203	197	228
Industrial	273	275	301
Large Industrial	2,159	2,351	2,459
Total	**3,307**	**3,477**	**3,703**

The following table contains ENGLP's Southern Bruce System's distribution system natural gas sales volume:

Natural Gas Sales Volume

(terajoules)	**2021**	**2020**
Residential	33	1
Commercial	1	-
Industrial	13	5
Large Industrial	777	288
Total	**824**	**294**

Corporate Services

EPCOR's Corporate Services provides certain centralized support services to the Corporation's business segments. Centralization allows the Corporation to cost effectively access specialized knowledge, experience and technology necessary for the efficient delivery of governance and transactional support services. These services include governance, finance, treasury, internal audit, information services, supply chain management, human resources, learning and development, public and government affairs, legal, and health, safety and environment.

HEALTH, SAFETY AND ENVIRONMENT

EPCOR Health Safety and Environment Policy

Health, safety and environmental (HSE) stewardship is a strategic priority for EPCOR. In order to enable the organization to continually improve its HSE performance, EPCOR has implemented an HSE-MS which is aligned with the ISO 14001:2015 and ISO 45001:2018 international standards.

At the core of EPCOR's HSEMS is EPCOR's Health, Safety and Environmental Policy (HSE Policy), which is applicable to all EPCOR operations. Each year the Environment, Health and Safety (EH&S) Committee of EPCOR's Board of Directors (the Board) reviews and approves EPCOR's HSE Policy and strategic direction. EPCOR's HSE Policy helps to ensure the health and safety of our employees, contractors and the public. Ensuring that all employees get home safely, and protecting the public and the environment are responsibilities that all employees at EPCOR share. The HSE Policy is supported by beliefs and commitments that all employees and contractors are expected to understand, promote, and support.

EPCOR's HSE beliefs are:

- All incidents and injuries are preventable;
- Everyone has the right to work in a physically and psychologically safe workplace, and to be accepted and treated with respect and dignity;
- All employees and contractors are accountable for ensuring the safety of the public and each other, and for working in an environmentally responsible manner;
- Health, safety, and environmental aspects must be considered when establishing processes;
- Action on climate change is needed to limit global warming, support community sustainability and health, and protect the integrity of utility operations; and
- Employee involvement, training, and communication are essential to achieve health, safety, and environmental excellence.

EPCOR's HSE commitments are to:

- Create and sustain a positive culture that supports the prevention of all work-related injuries and illnesses, and supports the psychological well-being of our employees;
- Identify and evaluate hazards and their associated risks, and implement controls to eliminate or reduce them;
- Provide timely and effective training, resources, and equipment;
- Maintain an effective HSE-MS and continually improve our performance by setting objectives and targets and engaging employees and stakeholders;
- Prevent pollution and reduce our environmental impacts affecting the ecosystems in which we operate;
- Mitigate our direct climate impact by establishing a pathway to significant reductions and ultimately net zero GHG emissions;
- Implement climate adaptation initiatives that protect the resilience of the utility infrastructure and enhance community resiliency;
- Meet or exceed all applicable legal requirements, industry standards, and societal expectations; and
- Measure and share our HSE performance, learn from our incidents and apply corrective actions to prevent reoccurrence.

Supporting the HSE Policy is a structure composed of documented standards and procedures which are structured to deliver a cycle of continuous improvement of HSE performance, the key elements or functions of which are:

- Identification and assessment of risk, hazards and environmental impacts;

- Periodic evaluation of compliance with HSE obligations;
- Worker protection standards, including confined space, fall protection, isolation of hazardous energy and occupational hygiene;
- Objectives, targets and action plans;
- Incident response, reporting and investigation;
- Emergency response;
- Internal audits; and
- Corrective and preventive actions.

All EPCOR businesses are required to conform to the EPCOR HSE-MS. EPCOR operations in Edmonton, Regina, Chestermere, Strathmore, Britannia Mine, and the Evan-Thomas Water and Wastewater Treatment Facility in Kananaskis are also ISO 14001:2015 certified with respect to environmental management. All material operations of Drainage, Water Services and Electricity Distribution and Transmission in Edmonton are certified under ISO 45001:2018 with respect to safety management.

Through these certifications, EPCOR utilizes a systematic approach to HSE management which ensures a proactive approach to health and safety management and that adverse environmental impacts are prevented or mitigated. This ensures full compliance to all HSE obligations.

ENVIRONMENT, SOCIAL AND GOVERNANCE

As part of its long-term planning process, EPCOR has considered a wider view of its responsibilities to current and future generations and, as a result, modified its Vision statement to include a wider perspective. This broader view of EPCOR’s responsibilities has been reflected in the increasing volume and quality of sustainability disclosures related to risk management, assessment of climate change related risks and EPCOR’s overall environment and climate change strategy. EPCOR’s purpose statement is “Communities count on us. We count on each other”. The statement was developed by EPCOR’s employees, for its employees and encompasses EPCOR’s commitment to the communities it serves and to its employees.

In August 2021, EPCOR published its 2020 ESG Report, which included a scorecard of 25 performance measures and 17 targets. EPCOR's Board of Directors and executive leadership oversaw the development of these measures and reporting through a process that included a materiality assessment that sought feedback from stakeholders representing a broad range of interests and experiences. EPCOR's report focuses on 10 ESG factors that stakeholders and management rated as most material to the Corporation:

- affordability and access to utility services;
- community relations;
- public health and safety, and emergency management;
- physical climate risk;
- water and wastewater management;
- business ethics and corporate governance;
- GHG emissions;
- rights of Indigenous Peoples; and
- workforce health and safety; and human capital management.

Details of EPCOR’s ESG initiatives and performance can be found on the Corporation’s website at www.epcor.com.

CLIMATE CHANGE

General

EPCOR empowers its people to be leaders in environmental stewardship and public health by anticipating the future direction of regulation and legislation, being early adopters of technologies and improved operating practices, and acting as trusted advisors to policy makers. EPCOR is committed to being an environmental leader. EPCOR’s commitments related to climate change are focussed on:

- reducing EPCOR's environmental footprint and mitigating the impact of EPCOR's operations on climate change;
- adapting EPCOR's infrastructure and operations against the risk and impact of changing climate; and
- pursuing opportunities to invest in infrastructure and business opportunities that support environmental sustainability.

EPCOR's leadership in this area is underpinned by:

- its HSE Policy, which seeks to prevent pollution and reduce EPCOR's environmental impacts, including those contributing to climate change and affecting the ecosystems in which EPCOR operates;
- the climate change strategy developed as part of EPCOR's long-term planning; and
- climate goals in its ESG Report.

To support this, EPCOR has established and reviews annually an inventory and qualitative assessment of all the significant initiatives and environmental forces, including those associated with climate change.

Governance

As a part of EPCOR's Enterprise Risk Management (ERM) program to identify, manage and monitor business risks that could significantly impact day-to-day operations or the Corporation's long-term plans, management and the Board are responsible for oversight of the principal risks of the Corporation, and the systems in place to effectively monitor and manage these risks, including those related to climate change.

Strategic and operational climate change risks are evaluated through the ERM and reviewed by the Board on a quarterly basis. In addition, each Board Committee reviews certain risks or matters for which it has oversight responsibility pursuant to that Committee's Terms of Reference.

In addition, operational business units and corporate resources identify and review climate change opportunities on an ongoing basis, which are further assessed by management and the Board through the Corporation's long-term planning process.

Executive leadership is responsible for identifying, addressing climate change-related issues, assessing implications, risks and opportunities for EPCOR, including developing and implementing strategy. Under this oversight, certain specific responsibilities are as follows:

- Each operating business unit Senior-Vice President is responsible for the identification, planning and execution of business unit GHG reduction initiatives and infrastructure resilience;
- The Senior Vice-President, Commercial Services, is responsible for identifying and pursuing climate change related commercial opportunities;
- The Senior Vice-President, Sustainability, General Counsel and Corporate Secretary is responsible for the development of sustainability strategy and coordination and oversight of enterprise-wide sustainability related objectives, including those related to climate change; and
- The Director, Audit and Risk Management, Corporate Services, is responsible for managing EPCOR's ERM.

Climate Change Opportunities and Risks

EPCOR is focused on increasing the level of awareness and understanding of the effect of climate change across its businesses, which includes:

- Climate change mitigation - reducing GHG emissions, and reducing EPCOR's operations' contributions to drought, wildfires and negative impacts on the water cycle, as well as providing our expertise, education, information and resources to support energy efficiency, reduction of GHG emissions, and water conservation.
- Climate change adaptation - regions where EPCOR operates have experienced changes in climate and an increase in extreme weather events. This includes changes in precipitation patterns and intensity as well as changes in water temperatures and ambient air temperatures, all of which may impact various aspects of EPCOR's operations. In addition to risks of damage from acute weather events, changes in climate can significantly affect the reliability and life expectancy of major infrastructure and equipment. EPCOR is

increasing the resilience of its operations against potential climate change impacts, including identifying and prioritizing opportunities for hardening its assets, updating business processes to embed consideration for climate change projections in system planning and increasing the Corporation's and the public's knowledge and awareness of the pressing need for climate change adaptation.

- Pursuing opportunities – EPCOR seeks to invest in infrastructure and business opportunities and pursue other opportunities to monetize EPCOR's climate change expertise that support environmental sustainability and align with EPCOR's strengths where EPCOR will have a competitive advantage.

With respect to these areas of focus, EPCOR has committed to or is pursuing*:*

- Reducing net GHG emissions by 50% by 2025, 85% by 2035 and net zero by 2050, from a 2020 baseline. The work to achieve these targets is already well underway:
    - EPCOR is developing of a 13.6 megawatt solar farm and a 4 megawatt battery energy storage system at its E.L. Smith WTP site that is intended to meet the electricity needs of the WTP.
    - In October 2019, EPCOR entered a contract for a 20-year term with Renewable Energy Systems Canada Inc. to acquire Renewable Electricity Credits sourced from a new wind farm in southern Alberta, once constructed, which is expected in 2023. This wind farm is expected to annually offset approximately 85,000 tonnes of CO_2 equivalent.
    - Installation of 311 solar panels at EPCOR's Hugh J. Bolton Service Centre that have reduced this building's CO_2 emissions by 115,000 kilograms, or the equivalent of planting 3,400 trees.
- Continuing to maintain reuse of 93% of treated wastewater or effluent in EPCOR's Southwestern U.S. operations to reduce pressure on water supplies. EPCOR treats its wastewater to A+ effluent standards, to recharge aquifers.
- Completing 100% of flood resilience upgrades by 2027 to protect utility assets and critical infrastructure from river flooding to at least a 1-in-500-year flood event. Bylaw 19626 – EPCOR Water Services included total infrastructure investments related to flood mitigation, net of $11 million in federal and provincial grant funding already approved, of $26 million for the April 2022 to March 2027 period, with construction commencing in 2022. The flood mitigation measures being planned to harden and protect both WTP's are designed for up to a 1-in-500-year flood event.
- Completing studies and capital program development to protect Gold Bar from a 1:500-year flood.
- Conducting reviews and updates to electrical infrastructure specifications for climate-driven risks such as extreme heat, storm events and high wind events.
- Implementing EPCOR's Edmonton flood mitigation program – refer to the SIRP and CORe section above under Environmental Related Initiatives in the Water Services section.
- Enabling the greening of the community's natural gas supply, through exploration of an RNG facility at Gold Bar, to refine biogas produced by the wastewater treatment process into natural gas that could be injected into the natural gas transmission and distribution system. The RNG facility would reduce flaring and GHG emissions while creating a green energy product. The RNG facility being considered is anticipated to produce up to 230,000 gigajoules of RNG per year.
- Preparing Edmonton's electricity grid to support customer choice as households adopt electric vehicles and self-generation of electricity. EPCOR has entered into an arrangement with the City for installation of 12 electronvolt (EV) charging stations that will be installed in the first half of 2022 to help enable the adoption of electric vehicles.
- Exploring new technologies for distributed energy resources, such as electrical vehicles, solar panels and energy storage batteries. EPCOR has established a team to research and pilot these new technologies to better understand how these will be safely integrated into the electricity system in a way that maintains the reliability of the grid, while minimizing costs to consumers.
- Growing EPCOR's capacity to recharge Arizona aquifers to 8 million gallons per day of treated effluent through expansion of the Luke 303 Regional Water Reclamation facility and other facilities.
- EPCOR's Go EV Funding Program, launched with funding support from the federal government, and is aimed at reducing the environmental footprint of drivers. As part of this program EPCOR will be distributing federal funding to select applicants to support the installation of charging stations in EEDO's operating and surrounding areas. In addition to distributing federal funding to selected applicants, EPCOR will also provide project oversight of the development of EV charging stations.

For further discussion regarding climate change related risks, refer to the Corporation's MD&A dated February 17, 2022 for the year ended December 31, 2021.

ETHICS AND RESPECTFUL WORKPLACE

The Corporation has adopted a written Ethics Policy, applicable to all employees of EPCOR and the Board. A copy of the Ethics Policy can be found on 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, EPCOR's Human Resources department or EPCOR's Ethics Officer, including reporting a concern or possible violation through EPCOR's Integrity Hotline. This hotline operates in a fashion that ensures confidentiality. Ethics training for all employees and Board members is conducted biennially.

EPCOR maintains an Ethics Committee consisting of EPCOR's President and Chief Executive Officer, Senior Vice-President Corporate Services, Senior Vice-President, Sustainability, General Counsel and Corporate Secretary, the Senior Vice President and Chief Financial Officer and representatives from business units, and is supported and counseled by EPCOR's Ethics Officer.

The Corporation investigates ethics 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 documented.

The Corporation has also adopted a Respectful Workplace Policy which applies to all employees, officers, directors and contractors. The Corporation is committed to protecting the personal worth and dignity of all employees and creating a respectful, supportive and inclusive work environment that supports diversity and equal opportunity and is free of disrespectful behaviour, discrimination, workplace bullying, harassment, and physical or psychological workplace violence. EPCOR recognizes and values people for their individual skills, knowledge, abilities, experiences and contributions.

The Corporation takes action to prevent and / or address incidents of disrespectful behaviour, discrimination, workplace bullying, harassment, and physical or psychological workplace violence wherever EPCOR business is conducted.

PERSONNEL

As at December 31, 2021, EPCOR employed 3,536 full-time, part-time, temporary and casual employees.

	As at December 31		
	2021	**2020**	**2019**
Water Services	1,497	1,515	1,539
Distribution and Transmission	855	875	896
Energy Services	339	346	355
U.S. Operations	409	362	324
Other	436	424	422
Total	3,536	3,522	3,536

EPCOR has a strong working relationship with its six labour unions; three based in Alberta, two in Ontario and one in Saskatchewan. As of December 31, 2021, the six labour unions represented 2,250 employees. EPCOR has not experienced any labour disruptions since 1978.

SPECIALIZED SKILLS AND KNOWLEDGE

Technical, professional and trades skills are key to the Corporation's ability to continue delivering services to customers in a safe and reliable manner. Water Services and U.S. Operations water operations hire and train experienced and certified water plant, water distribution system, wastewater treatment, wastewater collection system and laboratory operators and technicians. Distribution and Transmission and EEDO hire and train system control operators, signal technicians, and power linemen and power system electricians. EPCOR's natural gas operations hire and train experienced pipeline inspectors, field service gas technicians, distribution system technicians and construction teams. Furthermore, the Corporation also hires and trains engineers and other technical and financial professionals across the entire business. The Corporation develops various trades people through its apprenticeship programs and ongoing skills certification and technical training.

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 February 17, 2022 for the year ended December 31, 2021.

DIVIDEND POLICY

Annual aggregate dividends paid from 2019 through to and including 2021, were $171 million per year.

Under EPCOR's current Dividend Policy, an annual dividend of $177 million was approved in 2021 for the 2022 year and will remain at $177 million per year, until a change is recommended by the Board and approved by EPCOR's Shareholder. The Dividend Policy is reviewed annually by the Board and the Shareholder.

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, 2021, 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, 2021, 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 credit 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.

The Corporation is not aware of any review or intention to review the current assigned ratings by either rating agency outside of customary annual rating review processes.

S&P Global Ratings, A DIVISION OF THE MCGRAW-HILL COMPANIES, INC. (S&P)

A-: Senior Unsecured Debt and Issuer Rating – The A- rating assigned to the Corporation's Senior Unsecured Debt in October 2021 is within the A rating category and is the third highest rating of S&P's ten rating categories, 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 that the rating is not likely to be changed over the intermediate term, that being typically six months to two years. In determining a rating outlook, consideration is given to any changes in the economic and / or fundamental business conditions. An outlook is not necessarily a precursor of a rating change or future S&P credit action.

S&P Rating Description: An obligor 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 Morningstar (DBRS)

A (low): Senior Unsecured Debentures and Issuer Rating – The A (low) rating assigned to the Corporation's Senior Unsecured Debentures and Issuer Rating in September 2021 is within the A rating category which is the third highest rating of DBRS' ten rating categories, 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. DBRS' trend outlook for EPCOR is stable, reflecting DBRS' expectation of no changes in rating if present circumstances continue. DBRS assigns rating trends based primarily on an evaluation of the issuing entity, but may also include consideration of the outlook for the industry in which the issuing entity operates giving consideration to developments that could positively or negatively impact the sector or the issuer's debt position within the sector.

DBRS Rating Description: 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' 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. The outlook trend for this rating is stable reflecting DBRS's expectation of no likely changes if present circumstances continue.

DBRS Rating Description: 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 to provide credit ratings on EPCOR's two offerings of unsecured medium term note debentures in 2020 and 2021. In addition, DBRS was compensated for providing indicative stand-alone ratings on certain EPCOR subsidiaries for the purpose of determining the cost of debt in regulatory filings.

MARKET FOR SECURITIES

None of EPCOR's securities are listed or quoted on a marketplace. In June 2021, EPCOR issued $500 million unsecured public debentures, consisting of $100 million of three-year notes with a coupon rate of 0.98%, maturing in June 2024, $200 million of 10-year notes with a coupon rate of 2.41%, maturing in June 2031 and $200 million of 30-year notes with a coupon rate of 3.29%, maturing in June 2051. The interest is payable semi-annually and the principal is due at maturity for each tranche of the debentures. In October 2021, EPCOR priced US$100 million of US Private Placement (USPP) notes, consisting of two separate tranches of US$50 million with a maturity date of December 2051. In December 2021, EPCOR received the proceeds of the first tranche with a coupon rate of 3.08%. The second tranche has a coupon rate of 3.13%, with proceeds due in April 2022. The interest is payable semi-annually and principal due at maturity for each tranche of the USPP.

TRANSFER AGENT AND REGISTRAR

BNY Trust Company of Canada, at its office located at Toronto, Ontario, is the trustee (Trustee) under the Corporation's Trust Indenture which provides for the issuance of unsecured debentures and notes of the Corporation (Senior Unsecured Debentures). 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 the Asset and Liability Transfer Agreement in August 2017 between EPCOR and the City that governed the transfer of Drainage from the City to EPCOR. This agreement includes a back-to-back debt obligation between EPCOR as the borrower and the City as the lender in the aggregate principal amount of approximately $482 million. This material contract can be found on SEDAR at www.sedar.com.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

There were no directors 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, 2021, which has materially affected or would materially affect the Corporation.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

As of the date of this AIF, none of the directors 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

Below are the names, province / state and country of residence of EPCOR's executive officers as at December 31, 2021, and 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
Jennifer Addison Alberta, Canada Senior Vice President, Sustainability, General Counsel & Corporate Secretary	Senior Vice President, Sustainability, General Counsel, and Corporate Secretary from November 2021; prior thereto, Senior Vice President, General Counsel and Corporate Secretary from February 2017; prior thereto, Vice President, Stantec Consulting Ltd. from November 2015.

Name, Province/State, Country of Residence and Office	Principal Occupation During Past Five Years
Shawn Bradford Alberta, Canada Senior Vice President, Water Canada	Senior Vice President, Water Canada from November 2019, prior thereto, Director, Corporate Services, EUSA from September 2014.
John Elford Alberta, Canada Senior Vice President, Commercial Services	Senior Vice President, Commercial Services from November 2021; prior thereto, Senior Vice President, Corporate Services from February 2018; prior thereto, Senior Vice President, Water Canada from January 2015.
Joseph Gysel Arizona, United States Senior Vice President, EPCOR USA (President, EUSA)	Senior Vice President, EPCOR USA, and President, EUSA, from December 2011.
Stuart Lee Alberta, Canada President and Chief Executive Officer	President and Chief Executive Officer from September 2015.
Francesco (Frank) Mannarino Alberta, Canada Senior Vice President, Corporate Services	Senior Vice President, Corporate Services from November 2021; prior thereto, Senior Vice President, Electricity Services from August 2017; prior thereto Senior Vice President, Electricity Operations from May 2013.
Susan (Amanda) Rosychuk Alberta, Canada Senior Vice President, Electricity Services	Senior Vice President, Electricity Services from November 2021, prior thereto, Senior Vice President, Drainage Services from September 2017; prior thereto, Senior Vice President, Corporate Services from March 2014.
Anthony (Tony) Scozzafava Alberta, Canada Senior Vice President and Chief Financial Officer	Senior Vice President and Chief Financial Officer from February 2018; prior thereto, Vice President Taxation and Treasurer, Capital Power Corporation from April 2013.
Stephen Stanley Alberta, Canada Senior Vice President, Drainage Services	Senior Vice President, Drainage Services from November 2021; prior thereto, Senior Vice President, Commercial Services from January 2015.
Jacyn Koski Alberta, Canada Treasurer and Controller, Commercial Services	Treasurer and Controller, Commercial Services from July 2020; prior thereto, Corporate Controller from March 2017; prior thereto, Controller, Water Canada from October 2015.

While EPCOR considers gender diversity when appointing executive officers, it does not currently have a written policy regarding this and does not currently set targets regarding representation of women in executive officer positions. At December 31, 2021, and currently, two out of ten, or 20%, of the Corporation's executive officers are women.

CORPORATE GOVERNANCE

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The Board operates under a Statement of Corporate Governance Practices, attached to this AIF as Appendix II.

POSITION DESCRIPTIONS

The Board, except as limited by the Unanimous Shareholder Agreement with the City, has the power to manage the business and affairs of the Corporation, and by proxy through the Chief Executive Officer, sets out clear expectations for management. The Board has approved a Board Chair Position Description as well as a Position Description for individual Directors. Each Board committee operates under a Terms of Reference which specifies the duties and responsibilities delineated to that committee by the Board.

The Board has developed a written position description for the Chief Executive Officer and 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 age as at December 31, 2021, year appointed, expiry of term, principal occupations during the preceding five years and their relevant skills and experience:

Leontine van Leeuwen-Atkins
Alberta, Canada
Age: 57
Year appointed: 2020
Term expires: 2022

Principal Occupation During Past Five Years:
Corporate Director; prior thereto Partner, KPMG LLP to April 2019

Skills and Experience:
Ms. Van Leeuwen-Atkins (Ms. Atkins) holds a BBA (Finance, Cum Laude) from Acadia University and MBA (Cum Laude) from Dalhousie University and obtained her Chartered Public Accountant designation in 1989 (Gold Medal). She is a member of the Institute of Corporate Directors Calgary Chapter's Executive Committee and received her ICD.D Corporate Director designation in 2012. Ms. Atkins serves on the Board of ARC Resources Ltd., Points International Ltd. (Audit Chair) and Cameco Corporation. As a partner of KPMG LLP until 2019, she was a member of KPMG Canada's National Board of Directors and KPMG Canada's Acquisitions and Admissions and Succession committees. Ms. Atkins is a past Board and Audit Committee chair/member of Calgary Economic Development, Heritage Park Society and Glenbow Museum and a past member of Unicef Calgary Patron's Council. Having worked in the industrial and energy sectors for more than 30 years, Ms. Atkins has significant in-depth experience in international and North American oil and gas, mining, oil sands, regulated utilities, pipelines, gas storage, power and petro- and agri-chemicals.

Mary (Margaret) Bateman
Alberta, Canada
Age: 72
Year appointed: 2019
Term expires: 2023

Principal Occupation During Past Five Years:
Senior Advisor, ZGM Modern Marketing Partners, a communications consulting firm, since October 2018; prior thereto Partner, Calder Bateman Communications Ltd., a marketing and consulting firm which merged with ZGM in 2018

Skills and Experience:
Ms. Bateman holds a Bachelor of Arts degree from Loyola College, which is now a part of Concordia University. She is past CEO and senior partner of Calder Bateman Communications, a firm she co-founded in 1990, which merged with ZGM Modern Marketing Partners in 2018. Ms. Bateman currently serves on the Board of the 2001 Legacy Foundation in Edmonton. She was previously Board Chair of Edmonton Airports, a member of the Board of Governors of Augustana University, now part of the University of Alberta and a member of the Board of the Alberta Blue Cross Corporation.

Richard (Rick) Cruickshank
Alberta, Canada
Age: 71
Year appointed: 2017
Term expires: 2023

Principal Occupation During Past Five Years:
Counsel, Dentons Canada LLP, an international law firm

Skills and Experience:
Mr. Cruickshank holds a Bachelor of Arts (Economics) degree from the University of Winnipeg and a Bachelor of Laws degree from the University of Manitoba. He is a tax and corporate lawyer and was a founding partner and, for most of its existence, the managing partner of the law firm Cruickshank Karvellas prior to its merger with Fraser Milner Casgrain, which is now Dentons Canada LLP, in 2000. He was appointed to Alberta Queen's Counsel in 1996. Mr. Cruickshank served on the Board of Directors of Capital Power Corporation from 2009-2015, including on the Human Resources and Compensation Committee. He has served on the Board, including as Chair, of the University of Alberta Hospital Foundation and is also a past president of the Edmonton Bar Association, and a former Board member of the Edmonton Chamber of Commerce.

Vito Culmone
Alberta, Canada
Age: 57
Year appointed: 2013
Term expires: 2023

Principal Occupation During Past Five Years:
Chief Financial Officer of MDA Space Ltd., a space technology company, from March 2021; prior thereto, Chief Financial Officer of Element Fleet Management Corp., from July 2018 to February 2021; prior thereto, Executive Vice President and Chief Financial Officer, Shaw Communications Inc. from June 2015 to May 2018; prior thereto Executive Vice President, Finance and Chief Financial Officer, WestJet Airlines Ltd. from March 2007

Skills and Experience:
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 Chief Financial Officer of MDA Space Ltd. In this position he is responsible for the overall financial management of MDA Space and its financial reporting. Prior to joining MDA Space in March, 2021, Mr. Culmone served as the Executive Vice President and Chief Financial Officer of Element Fleet Management Corp. from June 2018 to March, 2021, Prior to this, Mr. Culmone served as Executive Vice President, Finance and Chief Financial Officer of Shaw Communications Inc. from June 2015 to May 2018 and 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., prior to merger with Coors; Vice President and Chief Financial Officer of Molson U.S.A; and Vice President, Commercial Finance at Molson Canada. In 2021, Mr. Culmone was named a Chartered Professional Accountant (CPA) Fellow, the highest distinction bestowed upon a CPA.

Robert (Bob) Foster
California, U.S.
Age: 75
Year appointed: 2014
Term expires: 2022

Principal Occupation During Past Five Years:
Consultant, Prometheus Advisors (consulting firm), and Corporate Director

Skills and Experience:
Mr. Foster holds a Bachelor of Administration degree in Public Administration and an Honorary Doctorate from San Jose State University. He previously 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. He currently serves as a director for Onward Energy LLC and Total Port Solutions Inc.

David Hay New Brunswick, Canada Age: 66 Year appointed: 2017 Term expires: 2023	**Principal Occupation During Past Five Years:** Corporate Director

Skills and Experience:
Mr. Hay holds a Bachelor of Arts from the University of Toronto and a Bachelor of Laws from York University. He held the position of Vice Chair and Managing Director of CIBC World Markets Inc. from 2010-2015 with power / utilities and infrastructure as a major focus. Prior to this, he was President & CEO of New Brunswick Power for six years, where he led a major restructuring of the crown utility that resulted in a turnaround and positive results. Mr. Hay serves as the Managing Director of Delgatie Incorporated, a financial services advisory firm. He is currently a director of Hydro One Limited, a Member of the Council of Clean and Reliable Energy and a Fellow of the Ivey Energy Policy and Management Centre. Mr. Hay has also served as Senior Vice President and Director of Merrill Lynch Canada Inc., based in Toronto and London, England. Mr. Hay was a lawyer with the firm of Osler, Hoskin and Harcourt and a Law Clerk to the Chief Justice of the High Court of the Supreme Court of Ontario.

Alan Krause Washington, U.S. Age: 67 Year appointed: 2018 Term expires: 2022	**Principal Occupation During Past Five Years:** Self-Employed from 2017; prior thereto Chairman and Chief Executive Officer of MWH Global Inc. from 2011 to 2017.

Skills and Experience:

Mr. Krause holds a master's degree in geological engineering from the University of Mackay School of Mines. He has completed the Owner/President Management Program at Harvard Business School and is a member and distinguished engineer for the Pan American Academy of Engineering. In 2015, Mr. Krause was appointed by the U.S. Secretary of Commerce to represent the consulting and engineering segment of the U.S. environmental technology sector on the Environmental Technologies Trade Advisory Committee. He is the past Chairman & CEO of MWH Global Inc., now owned by Stantec Inc., serving in the position from 2011-2017. Under his leadership, MWH completed some of the world's most complex water infrastructure projects, including work on the Panama Canal Expansion and the Tekeze Hydropower Project in Ethiopia. Prior to being named MWH Global Chairman & CEO, Mr. Krause held several key executive positions including President & Chief Operating Officer and President of MWH Global’s natural resources, industry and infrastructure section. He is currently a director of Kleinfelder Inc. and previously served on the board of Culligan International Company.

Allister McPherson Alberta, Canada Age: 78 Year appointed: 2008 Term expires: 2022	**Principal Occupation During Past Five Years:** Corporate Director

Skills and Experience:
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 was 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 Capital Power Corporation and has served on the Endowment Fund Policy Committee of Alberta Finance and the Edmonton Regional Airports Authority Board of Directors.

Janice Rennie
Alberta, Canada
Age: 64
Year appointed: 2017
Term expires: 2022

Principal Occupation During Past Five Years:
Corporate Director

Skills and Experience:
Ms. Rennie is a Chartered Accountant and Fellow of the Chartered Professional Accountants of Alberta and holds a Bachelor of Commerce degree from the University of Alberta. In 1998, she received a fellowship from the Alberta Institute of Chartered Accountants, in 2012 a fellowship from the Institute of Corporate Directors of Canada and in 2022 a CPA Alberta Lifetime Achievement Award. She has held executive positions in a number of companies, including previously having served as Senior Vice President Human Resources and Organizational Effectiveness for EPCOR. She presently serves as a director of Major Drilling Group International Inc. (Chair of Audit Committee) and West Fraser Timber Co. Ltd. She is a former board member of Westjet Airlines Inc., Nova Chemicals Corporation, Teck Resources Limited, Capital Power Corporation, Canadian Hotel Income Properties, Methanex Corporation and Weldwood of Canada Ltd.

Catherine Roozen
Alberta, Canada
Age: 65
Year appointed: 2014
Term expires: 2022

Principal Occupation During Past Five Years:
Chair, Cathton Investments Ltd. (an investment management firm)

Skills and Experience:
Ms. Roozen holds a Bachelor of Commerce degree from the University of Alberta. Ms. Roozen was appointed to the Alberta Order of Excellence in 2013 and the Order of Canada in December 2015. 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. She has also served as Vice President, Investments, at North West Trust Company, and has previously served on a number of other boards, including Corus Entertainment Inc.

Nizar Jaffer Somji
Alberta, Canada
Age: 62
Year appointed: 2015
Term expires: 2023

Principal Occupation During Past Five Years:
Chief Executive Officer, Jaffer Inc., a real estate development, construction, hospitality, property management, knowledge management and management consulting company

Skills and Experience:
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. He is currently the Chairman at Zafin Inc. and Kanvi Private Equity Fund and is a Director at QuirkLogics Inc.

DIRECTOR INDEPENDENCE

EPCOR has set a target of maintaining a Board composed of at least 67% independent directors. All 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 they would be independent within the meaning of independence under National Instrument 52-110 – *Audit Committees* (NI 52-110). Essentially, a director is independent if they have 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

Janice Rennie is the Chair of the Board. Ms. Rennie, who is independent as the term is defined in NI 58-101, was appointed to this position in May 2018. Ms. Rennie's responsibilities as the Chair of the Board are set out in the Board's Chair Position Description, which has been formally approved by the Board.

The Chair reports to the Shareholder and is responsible for overseeing the provision of appropriate, accurate and timely information to the Shareholder that is relevant to all aspects of the Corporation's business. As the primary spokesperson for the Board, the Chair represents the Board's views to, and reports back to the Board respecting communications with, the Shareholder. In doing so, the Chair fosters an environment in which the Board represents and protects the interests of the Shareholder.

The prime responsibility of the Chair is to chair effective Board and Shareholder meetings, monitor and oversee the strategic agenda of the Corporation, and provide the leadership necessary to ensure effective functioning of the Board.

Outside Directorships

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

Leontine Atkins	Director of ARC Resources Ltd., Points International Ltd. and Cameco Corporation
David Hay	Director of Hydro One Limited
Janice Rennie	Director of West Fraser Timber Co. Ltd. and Major Drilling Group International Inc.
Catherine Roozen	Director of Melcor Developments Ltd.

Material Interests

Directors and executive officers of the Corporation are regularly asked to disclose in writing any material interest they have 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 themselves 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, which consists solely of independent members as defined by NI 58-101, regularly meets without management present for a portion of its meetings. 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 2021, all Board meetings were conducted via video conference due to the COVID-19 pandemic, however, all work and initiatives were addressed and completed with appropriate time for consideration and discussion.

In 2021, the attendance of directors at Board meetings was as follows:

Name	Number of Meetings	Attendance
Leontine Atkins	9 of 9 meetings	100%
Margaret Bateman	9 of 9 meetings	100%
Richard Cruickshank	9 of 9 meetings	100%
Vito Culmone	9 of 9 meetings	100%
Robert Foster	9 of 9 meetings	100%
David Hay	9 of 9 meetings	100%
Alan Krause	9 of 9 meetings	100%
Allister McPherson	9 of 9 meetings	100%
Janice Rennie	9 of 9 meetings	100%
Catherine Roozen	9 of 9 meetings	100%
Nizar Jaffer Somji	9 of 9 meetings	100%

ORIENTATION AND CONTINUING EDUCATION

EPCOR has procedures in place for the orientation of new directors in order to improve their understanding of the Corporation as well as the overall industries within which the Corporation operates. An orientation day, or days, for new directors is set aside which consists of presentations by the President and Chief Executive Officer, the Chief Financial Officer and other senior executives and business unit leaders, as well as a tour of a local facility. New directors also meet separately with the Chair of the Board and are provided the option of meeting with the Corporation's external auditor.

EPCOR maintains a Board of Directors Governance Manual, which contains regularly updated and detailed information about EPCOR's business, Board and committee terms of reference, individual director terms of reference, authority matrices, corporate structure, governance, policies and other related matters of use and interest to the directors. All directors tour at least one facility or plant owned and / or operated by EPCOR annually, except during years such as 2020 and 2021 when these activities were suspended due to the COVID-19 pandemic

The Board also receives ongoing presentations from external speakers and EPCOR employees on subjects relevant to the operations of the Corporation. In addition, EPCOR's executive team keeps informed of, and updates the Board regularly regarding industry and global trends and developments regarding regulatory and legal matters that may impact the Corporation's operations.

The Corporation also makes available $1,500 per year or $6,000 every four years to each director for any expenses related to the pursuit of the director's education, which may include conference fees, membership dues, registration fees, materials, reference books and similar expenses.

ETHICAL BUSINESS CONDUCT GOVENANCE

The Board has oversight over the Ethics and Respectful Workplace Policies, including governance over all material changes to and deviations from those policies. A summary report of all ethics and respectful workplace investigations is included in the quarterly Litigation and Ethics Report provided to the Audit Committee and a respectful workplace update is provided to the Human Resources and Compensation Committee (HR&C Committee) at each regularly scheduled meeting. Ethics training for all Board members is conducted biennially.

NOMINATION OF DIRECTORS

New director candidates are identified by the Corporate Governance and Nominating Committee (CG&N Committee), with a view to matching their skills and qualifications with the attributes required by the Board. Suitability as a director is based on applicable experience, specialized knowledge, technical skills and affiliations, diversity and personal integrity. The CG&N Committee keeps matrices, which identify the skills, expertise, knowledge, education and experience of the existing Directors and areas where the Board requires certain skills, expertise, knowledge, education and experience.

The CG&N Committee's Terms of Reference and the Board's Recruitment and Appointment Procedure include the requirement to consider gender and other forms of social diversity when recruiting new Board members. When identifying and nominating Board candidates, the CG&N Committee and the Board have an objective to maintain a minimum of 30% representation of women on the Board. Presently, four out of eleven positions, or 36%, of the Board are held by women.

The Shareholder is responsible for the appointment and re-appointment of the Chair and Directors of the Corporation. The Corporation does not impose a mandatory retirement age for Directors. Directors are generally re-appointed by the Shareholder every two years, to a maximum 15 year term, unless this maximum is extended by Shareholder resolution.

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 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 CG&N Committee and the HR&C Committee, the Board ensures that the CG&N Committee and the HR&C Committee have 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) 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
Leontine Atkins	✓		✓	
Margaret Bateman		✓		✓
Richard Cruickshank		Chair		✓
Vito Culmone	Chair	✓		
Robert Foster			Chair	✓
David Hay	✓			Chair
Alan Krause		✓	✓	
Allister McPherson		✓		✓
Janice Rennie	Ex-officio	Ex-officio	Ex-officio	Ex-officio
Catherine Roozen	✓		✓	
Nizar Jaffer Somji		✓	✓	

The functions of the four standing committees are as follows:

Audit Committee

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

HR&C Committee

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.

EH&S Committee

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, the workplace health and safety of its employees and public health matters.

CG&N Committee

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, the re-appointment of existing directors and the performance and effectiveness of the Board, its committees and individual directors. The CG&N Committee identifies new candidates and recommends appointments to the Board for further recommendation to the Shareholder.

ASSESSMENTS

The CG&N Committee reviews, monitors and makes recommendations on the effectiveness of the Board. Directors are biennially surveyed on the effectiveness of the Board and its committees. With a view to obtaining constructive feedback, the Board biennially 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 the Board, or a combination thereof. With respect to each of the evaluation methods, the results are compiled and discussed by the Board as a whole. Evaluations focus on the performance and effectiveness 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 the heading "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. 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. Once that plan is pre-approved by the Audit Committee, management has the authority to schedule the pre-approved services.

Any unplanned non-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 unplanned 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 unplanned 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 unplanned non-audit services pre-approved by the Chair of the Audit Committee are then ratified at the next Audit Committee meeting.

AUDITOR OF THE CORPORATION AND AUDITOR'S FEES

KPMG LLP, Chartered Professional Accountants has served as the Corporation's auditing firm continuously since 1995. Fees billed by KPMG LLP to the Corporation in the years ended December 31, 2021 and December 31, 2020 were approximately $1.7 million and $1.4 million, respectively, as detailed below.

($ millions)	**2021**	**2020**
Audit fees	$1.5	$1.2
Audit-related fees	0.1	-
All Other fees	0.1	0.2
Total	$1.7	$1.4

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, services provided in connection with statutory and regulatory filings and providing comfort letters and other work 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 and French translation of financial documents.

All Other Fees

Other fees billed by KPMG LLP were related to audit services which are not related to the audit and review of the consolidated financial statements of the Corporation and non-financial consulting services.

COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis provides an overview of EPCOR's executive compensation philosophy, objectives and processes, and describes the compensation decisions made in respect of EPCOR's Named Executive Officers (NEOs). In 2021, EPCOR's NEOs were: Stuart Lee, President and Chief Executive Officer; Anthony Scozzafava, Senior Vice President and Chief Financial Officer; Joseph Gysel, Senior Vice President, EPCOR Water USA (President, EWUS); Stephen Stanley, Senior Vice President, Drainage Services; and Amanda Rosychuk, 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 Terms of Reference establish its purpose, responsibilities and membership. During 2021, the HR&C Committee met four 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. Any decisions made during such sessions are recorded in the minutes of the meeting.

Composition of the HR&C Committee

The current members of the HR&C Committee are listed above under the heading "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 the heading "Directors of the Corporation".

Independent Compensation Consultant

Management retains Willis Towers Watson (WTW) to provide consulting advice on compensation and pension matters, and Mercer (Canada) Ltd. for benefits matters.

The HR&C Committee retains the services of Hugessen Consulting (Hugessen), an independent compensation consultant for executive compensation matters because it recognizes the importance of receiving third party advice which is independent from management.

Hugessen has been the HR&C Committee's compensation consultant since 2017 and provides feedback and advice to the committee on management recommendations as well as other compensation and related governance matters falling within the committee's mandate. These include, but are not limited to; compensation benchmarking, comparator group selection, incentive plan design, feedback on the Corporation's compensation policy and programs, related governance structure and the assessment of any potential risk implications. This advice is intended to ensure that HR&C Committee decisions and management recommendations are appropriate and consistent with market practices.

The services provided by Hugessen and 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 Hugessen to the Corporation in the years ended December 31, 2021 and December 31, 2020 are detailed in the table below.

Executive Compensation - Related Fees

($ millions)	**2021**	**2020**
Hugessen – Executive Compensation and Related Fees	$0.05	$0.06

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 and independently reviewed by Hugessen for similar positions within the comparator groups and the Chief Executive Officer's recommendations for his direct reports, including all of the other NEOs. The comparator groups are discussed in further detail in the "Comparator Group" section below.

The HR&C Committee reviews the various compensation elements for individual executives, as well as in aggregate, to evaluate internal equity and seek alignment with program objectives and 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 their total compensation.

Risk Mitigation

EPCOR is primarily a rate regulated business with limited opportunities for significant 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 reviewing and monitoring compliance with such policies and practices.

Annually, management requests WTW 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. In 2021, the HR&C Committee, as advised by Hugessen, reviewed WTW's conclusion that there did not appear to be significant risks arising from the programs and structure that were reasonably likely to have a material adverse effect on the Corporation.

The HR&C Committee has identified and 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 an established compensation philosophy.
Ethics Policy & Compliance Reporting	The HR&C Committee is responsible for the approval of the Corporation's Respectful Workplace Policy and the Audit Committee is responsible for the approval of the Corporation's Ethic's Policy. Management rigorously enforces these policies. 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 philosophy, 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 approved annually by the Board.
Independent Compensation Advice	The HR&C Committee retains Hugessen to assist and guide them in 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 surveys 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	An average of 32% of the executive team's total direct compensation is delivered through short-term variable pay and 29% through medium-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, depending on the grant year, measure capital growth, income growth and/or operating costs per customer to help monitor performance. See "MTIP Discussion" below for a description of changes in 2021 in MTIP metrics as compared to prior years.
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 based on business unit and corporate financial performance for distribution under the STIP for an individual business unit is capped at a maximum of 200% of aggregate target awards. Further, individual awards under the MTIP are capped at 200% of target.

Policy/Practice	Description
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 Provision	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: (1) The HR&C Committee receives updates on EPCOR's performance against STIP and MTIP performance targets and estimated payout levels throughout the year. (2) 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. (3) 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 annual WTW 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 values: (i) We put safety first in everything we do; (ii) We act with integrity; (iii) We work as a team; (iv) We are trusted by customers; (v) We create shareholder value; and (vi) We are environmental leaders.
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 Groups

For purposes of benchmarking market compensation levels and assessing alignment with its stated competitive positioning philosophy, EPCOR has developed compensation comparator groups (comparator groups) that represent 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 groups is generally reviewed annually for continued relevance by WTW and the HR&C Committee, with advice from Hugessen. This review was completed in 2021. The guiding principles for consideration of businesses for inclusion in the comparator groups are:

Principles	Canada	U.S.
Industry	Energy utilities and pipeline organizations.	Utilities and other industries that either have capital intensive, engineering and / or regulated aspects.
Market For Talent	Resource based organizations, particularly in the Alberta energy sector.	Similar market where EUSA operates.
Company Size	Organizations of all sizes for skilled professionals and executives.	Revenue criteria of 0.5x to 3x to current EUSA revenue.
Geography	Operations in Western Canada.	Operations in the Lower Mountain region of the U.S. (i.e. Arizona, Colorado, New Mexico, or Utah).
Ownership Structure	All corporate structures.	
Organizational Complexity	Regulated and non-regulated business components.	
Business Characteristics	Capital intensive organizations.	

Based on the principles referenced further above, the comparator group used to assess Canadian pay levels in 2021 for industry specific roles was comprised of the following organizations:

- Alberta Electric System Operator
- AltaGas Ltd.
- AltaLink Management Ltd.
- ATCO Ltd.
- British Columbia Hydro and Power Authority
- Capital Power Corporation
- Enbridge
- ENMAX Corporation Inc.
- FortisAlberta Inc.
- FortisBC (Terasen Gas)
- Pembina Pipeline
- SaskEnergy
- SaskPower
- TC Energy
- TransAlta Corporation
- Trans Mountain

Based on the principles referenced further above, a comparator group consisting of the following non-utility companies involved in capital intensive industries, in addition to the organizations listed immediately above, was used to determine Canadian pay levels in 2021 for shared services and non-industry specific roles:

- Alberta Energy Regulator
- Algonquin Power and Utilities Corporation
- Bruce Power
- Cogeco Inc.
- Dow Chemical
- Corix
- Energir
- Ericsson Canada Inc.
- Methanex
- NOVA Chemicals
- Nutrien
- Ontario Power Generation
- ShawCor
- Siemens Canada
- Sierra Wireless
- Stantec Inc.

- Independent Electricity System Operator
- INEOS Canada Partnership
- TELUS Corporation
- Toronto Hydro Electric System

Based on the principles referenced further above, the comparator group used to assess U.S. pay levels in 2021 was comprised of the following organizations:

- ALLETE Inc.
- American Water Works Inc.
- Atmos Energy Corporation
- Avista Corporation
- Black Hills Corporation
- Boardwalk Pipeline Partners LP
- CenterPoint Energy
- Cleco Holdings
- Colorado Springs Utilities
- CPS Energy
- El Paso Electric Company
- Essential Utilities
- Evergy
- Great River Energy
- Idaho Power Company
- ITC Holding Company
- JEA
- Lower Colorado River Authority
- North Carolina Electric Membership Corporation
- New York Power Authority
- NorthWestern Energy
- OGE Energy Corporation
- Oglethorpe Power Corporation
- Omaha Public Power District
- ONE Gas Inc.
- Pinnacle West Capital Corporation
- Platte River Power Authority Inc.
- PNM Resources Inc.
- Portland General Electric
- Salt River Project Agricultural Improvement and Power District
- Santee Cooper
- South Jersey Industries
- Southwest Gas Corporation
- SouthWest Water
- Spire Inc.
- UNS Energy

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 groups 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 2021, EPCOR was positioned around the median of the Canadian comparator group based on revenue.

Compensation Elements and Target Mix

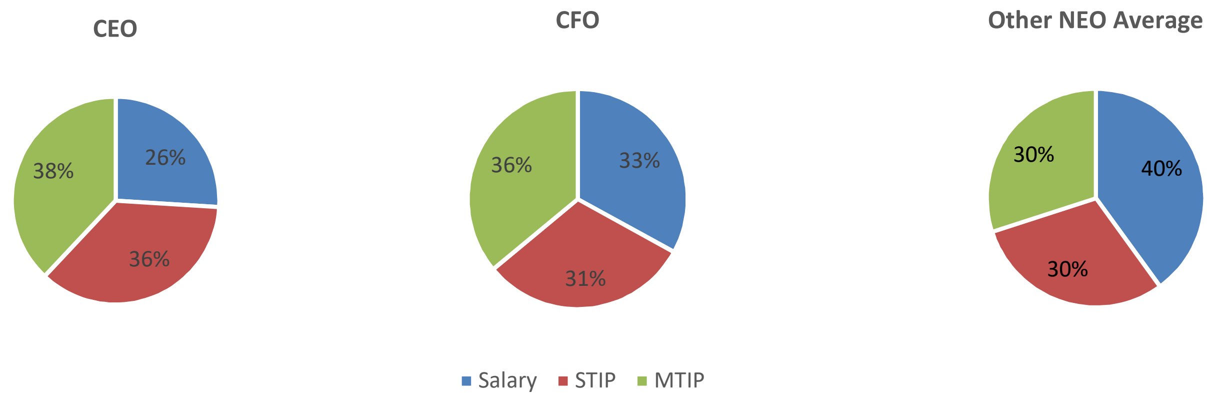
The compensation philosophy has guided the development of an executive compensation model that includes a mix of base salary, short-term incentives, mid-term incentives and pension and benefits.

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 stakeholder 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 base salary, short-term incentives and mid-term incentives. For executives, 60% or more of total direct compensation is focused on 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, their 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, in consultation with Hugessen, reviews competitive market data for similar positions within EPCOR's comparator groups, including data provided by WTW.

The pie charts below outline the target total direct compensation mix for the CEO, CFO and average of other NEOs in 2021:



2021 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.

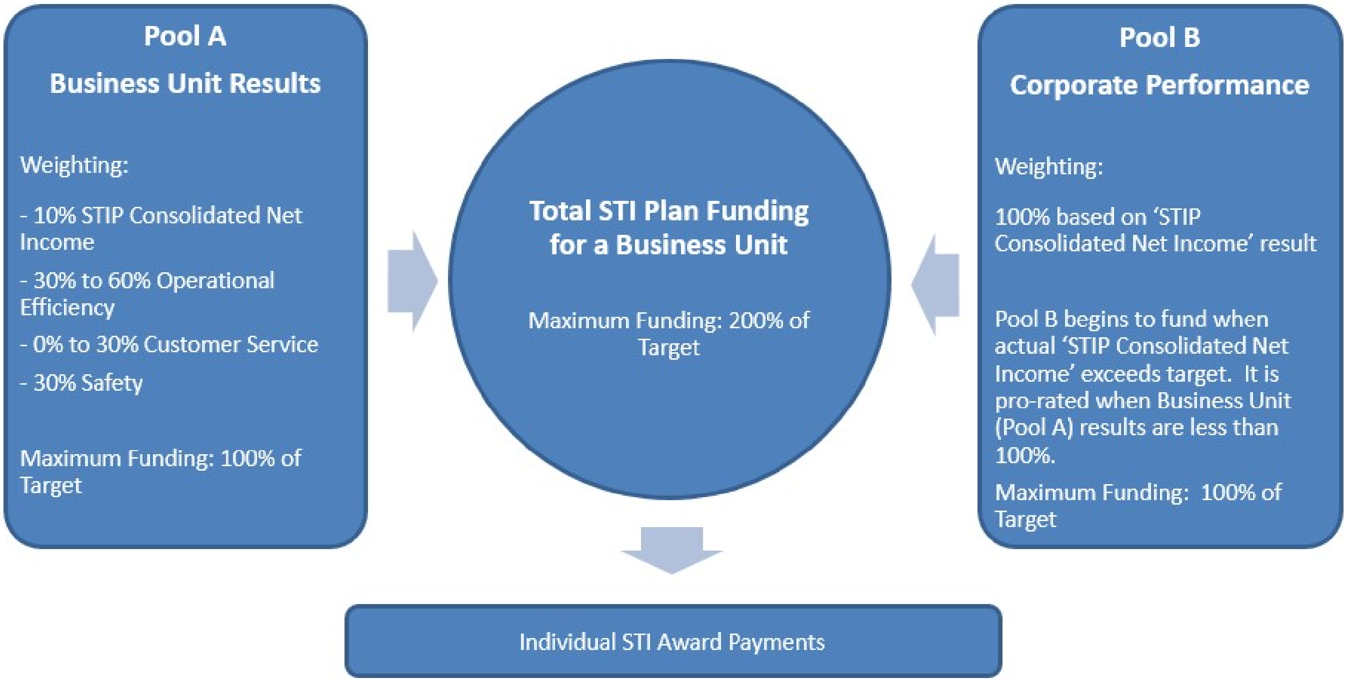
NEOs are eligible for annual target awards under the STIP, as recommended by the HR&C Committee and approved by the Board. Awards are payable the following year, subject to the achievement of corporate, business unit and individual performance objectives.

<u>2021 STIP Targets</u>

Individual target award levels generally align with the median of the applicable comparator group data for positions with similar responsibilities to those of the Corporation's STIP participants. In 2021, NEO STIP target award levels, expressed as a percentage of base salary, were 75% for Mr. Lee, 50% for Mr. Scozzafava and 45% 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>2021 STIP Plan Funding</u>

STIP awards are funded based on a scorecard approach which considers performance against business unit and / or consolidated financial 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

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 corporate level, which are approved by the HR&C Committee annually. For 2021, the STIP Pool A performance measures and respective weights were as follows:

Performance Metric	**2021 STIP Pool A Weighting**		
	Operating Business Units: Drainage, Electricity Operations, Energy Services, Technologies, Water Canada, US Operations	**Commercial Services Business Unit[(1)]**	**Corporate Services Business Unit[(2)]**
STIP Consolidated Net Income	-	10%	10%
Business Unit Net Income	10%	-	-
BU Metrics: • Health & Safety • Operational Efficiency • Customer • Customer and Observations	 30% 25% - 30% 30% - 35% -	 30% 30% 30% -	 30% 40% - 20%

(1) Commercial Services includes all Ontario operations as well as business development and project departments reporting to the SVP, Commercial Services.
(2) Corporate Services consists of all corporate departments; except Finance, Public & Government Affairs, Health, Safety & Environment and Supply Chain Management/Procurement employees embedded in operational business units; reporting to the SVP & CFO, SVP Sustainability, General Counsel & Corporate Secretary and the SVP Corporate Services.

STIP Consolidated Net Income is a non-GAAP financial measure and is not a standardized measure under IFRS and may not be comparable to similar measures published by other issuers. STIP Consolidated Net Income is used solely in the calculation of STIP compensation for employees of EPCOR and not for any additional purposes. STIP Consolidated Net Income is determined by the Board, in their judgement, calculated based on the Net Income of the Corporation as per the Corporation's Financial Statements, adjusted to exclude changes in the FV of financial derivatives and transmission system access service charge net collections, as well as other adjustments deemed appropriate by the Board:

- The change in FV of derivative financial instruments represents the change in FV of financial electricity purchase contracts between the electricity market forward prices and contracted prices at the end of the reporting period, for the contracted volumes of electricity. The change in FV from one period to the next is generally unrealized and has been factored out for STIP purposes.

- Transmission system access service charge net collections is the difference between the transmission system access services charges paid to the electric system operators in Alberta and Ontario and the transmission system access service charges collected from electricity retailers. Transmission system access service charge net collections result from timing differences and will be collected from or returned to electricity retailers as the transmission system access service charges and customer billing determinants are finalized.

Reconciliation of STIP Consolidated Net Income to Net Income for the past two years is described in the table below. Year-to-year, STIP Consolidated Net Income figures may not be comparable as different factors and adjustment may be determined by the Board.

STIP Consolidated Net Income (in $millions)	**2021**	**2020**
Net Income per Financial Statements	$388	$276
Change in FV of derivative financial instruments	(8)	-
Transmission system access charge net collections	(3)	(5)
Alberta corporate income tax rate change	-	2
COVID-19-related increases in expected credit losses and reductions in other income(1)	(2)	13
Application of capitalization policy(2)	-	(4)
Gain of expropriation of city of Bullhead City utility systems(3)	(67)	-
U.S. Operations settlement of contingent consideration(4)	(4)	-
STIP Pool B costs in Net Income per Financial Statements	13	2
STIP Consolidated Net Income	$317	$284

(1) Relates to increases in expected credit losses and reductions in other income as a result of the temporary deferral of utility bill payments by customer as a result of various measures taken by governments related to COVID-19 in 2020. EPCOR has commenced recovery of these amounts from customers through regulatory mechanisms.

(2) Relates to changes in accounting treatment to capitalize certain items which were historically expensed but were determined to extend the useful life of the related asset.

(3) Relates to the gain recorded on the expropriation of the city of Bullhead City utility systems.

(4) Relates to the settlement of the future obligation to pay contingent consideration for less than the carrying amount with the difference recorded as a gain for accounting purposes.

Each performance metric is evaluated against a pre-determined performance target. Results are calculated based on the degree of achievement and would be valued at 50% for threshold or minimum performance, 100% for target performance and 120% for stretch or maximum performance. No amount is payable for a given metric if threshold performance is not achieved. Results between threshold and target and target and stretch are calculated on a linear basis to determine the degree of performance achieved.

Overall performance in an operating business unit, Commercial Services or Corporate Services is determined using the aggregate results for all performance metrics. To recognize the importance of safety as a key component of the Corporation's culture, a safety performance metric result below threshold performance levels cannot be offset by above target 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 performance. Further, maximum funding for STIP Pool A is capped at 100% of target funding, being the sum of target STIP amounts for all employees eligible to participate in STIP. The overall performance result for the CEO is the average of all the business units' performance results.

STIP Pool B

STIP Pool B funding is determined using the STIP Consolidated Net Income performance metric to reinforce the importance of growing the business and maximizing EPCOR's overall profitability and shareholder return. A pre-determined target and stretch value, the latter equivalent to 120% of the target, are established and are used to evaluate performance for the year. The maximum funding available from Pool B is calculated as follows based on overall performance:

STIP Consolidated Net Income Performance	Funding of STIP Pool B
At or below target	0%
Between target and stretch	1% to 99% (interpolated on a linear basis)
At or above stretch	100%

STIP Pool B funding provided to each operational business unit, Commercial Services and Corporate Services is also affected by their STIP Pool A result. An area with an overall STIP Pool A performance result below 50% of target is not eligible for any STIP Pool B funding. STIP Pool B funding results described above will be pro-rated by the STIP Pool A result when the STIP Pool A result for a business unit is between 50% and 99% of target. Full STIP Pool B funding described above will be provided to a business unit with a STIP Pool A result of 100%.

2021 STIP Awards – Performance Measures

Actual 2021 STIP awards, which are paid in 2022, for each NEO reflect a combination of corporate, business unit and individual performance achievement, as follows:

- Corporate Performance – The STIP 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. Actual STIP 2021 Consolidated Net Income was $317 million, relative to a target of $279 million, resulting in a STIP Consolidated Net Income performance factor of 169% 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, those including safety, operational efficiency and customer service. In 2021, business unit funding allocations ranged from 137% - 169% 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, or longest target completion time, ranging from five years to ten years.

Individual 2021 STIP performance objectives and results for each NEO were as follows:

Name	Individual Performance Objectives for 2021
Stuart Lee	• Develop and execute EPCOR's long-term plan. • Develop and foster a zero injury safety culture. • Deliver on 2021 operating budget including dividend payment. • Develop and coach senior management talent. • Maintain shareholder and customer relations.
Anthony Scozzafava	• 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 ERM functions.
Joseph Gysel	• Produce and deliver water and other services to customers in the southwest U.S. 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 U.S. operations. • Develop and foster a zero injury safety culture. • Provide leadership to all U.S. operations through coaching and staff development, succession planning and thought leadership.
Stephen Stanley(1)	• Lead the Commercial Services business unit, including developing growth objectives and deliver on opportunities identified for 2021. • Lead operating activities in Ontario. • Meet all operating and financial targets for Commercial Services. • Develop and foster a zero injury safety culture.
Amanda Rosychuk(2)	• Deliver drainage services to customers in Edmonton in a safe, environmentally responsible, reliable and competitively priced manner. • Meet all operating and financial targets with a focus on capital investment optimization. • Develop and foster a zero injury safety culture. • Lead the Drainage operations to drive efficiencies and build technical operations strength. • Develop and improve customer service and relationships with key stakeholders.

(1) Mr. Stanley transitioned from Senior Vice-President, Commercial Services, to Senior Vice-President, Drainage Services, on November 1, 2021, however, his STIP award for 2021 is based upon performance objectives of Commercial Services.
(2) Mrs. Rosychuk transitioned from Senior Vice-President, Drainage Services, to Senior Vice-President, Electricity Services, on November 1, 2021, however, her STIP award for 2021 is based upon performance objectives of Drainage Services.

Performance against individual objectives is reviewed by the Board in relation to the President and Chief Executive Officer, and by the President and Chief Executive Officer in relation to the other NEOs, following the completion of the financial year. 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 2021:

Executive	2021 Base salary (annualized) (CAD$)	STIP Target Award (% of base salary)	STIP Result (% of Target)	STIP Payment (1) ($)	STIP Payment as % of Target
Stuart Lee	737,000	75	162	$999,800	181
Anthony Scozzafava	392,120	50	169	$371,024	189
Joseph Gysel(2)	423,196	45	169	$360,386	189
Stephen Stanley	323,793	45	137	$199,691	137
Amanda Rosychuk	295,209	45	169	$224,825	169

(1) Represents STIP award, in Canadian currency, earned for 2021 performance and to be paid in 2022.
(2) All compensation is reported in Canadian currency. Joseph Gysel was paid in U.S. currency with, for the purpose of this table, all U.S. dollars paid converted to Canadian currency using the average Canada / U.S. exchange rate as used in preparing the Corporation's consolidated financial statements for the year ended December 31, 2021. The average exchange rate was USD $1 to CDN $1.2537 in 2021.

MTIP Compensation

The Corporation's MTIP is designed to reward for sustained value creation and dividend growth and is designed to align the longer-term interests of NEOs with those of the City as Shareholder. 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.

NEOs are eligible for annual 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 during the applicable three-year periods for promotions, new hires, leaves of absence and upon retirement, death or disability.

<u>2021 MTIP Targets</u>

Target award levels generally align with the median of the applicable comparator group for positions with similar responsibilities to those of the Corporation's MTIP participants. In 2021, NEO MTIP target award levels, expressed as a percentage of base salary, were 175% for Mr. Lee, 75% for Mr. Scozzafava and 60% 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>2021 MTIP Awards - Performance Measures</u>

The Board sets the performance measures and objectives for MTIP grants annually. These measures are aligned to the strategic objectives of the Corporation and market conditions. The performance objectives for the 2021 MTIP awards are set out below.

The performance objectives in respect of 2021 MTIP awards, which will result in payment in 2024, if performance warrants, include two components: (a) the three-year Cumulative MTIP Consolidated Net Income at a 75% weighting; and (b) the three-year average of Controllable Costs per Customer Percentage Change at a 25% weighting.

The Cumulative MTIP Consolidated Net Income metric provides focus on increasing the income generated from EPCOR's existing businesses and finding significant investment capital to yield long-term earnings growth. The Controllable Costs per Customer Percentage Change metric focuses on balancing net income growth against increasing costs for customers. This measures the average increase in controllable operating costs per customer over the three-year performance period.

Cumulative MTIP Consolidated Net Income is a non-IFRS financial measures, which does not have any standardized meanings prescribed by IFRS and are unlikely to be comparable to similar measures published by other entities.

The following table illustrates the performance standards and associated payout levels in respect of 2021 MTIP awards. 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 net income growth while balancing operating costs impact on customers.

Performance Level	3-Year Cumulative MTIP Consolidated Net Income (75% Weighting)	3-Year Average of Operating Cost Per Customer % Change (25% Weighting)	Payout as a % of Target
Below Threshold	< $818.6 million	<4%	0%
Threshold	$818.6 million	4%	50%
Target	$909.6 million	2%	100%
Stretch	$1091.5 million	0%	200%

<u>2019 MTIP Awards (for the 2019-2021 performance period and paid out in 2022)</u>

MTIP awards were granted to eligible NEOs in 2019, with payment to be made in 2022 based on: (a) the Corporation's Qualifying Investment Compound Annual Growth Rate (QI CAGR) through the 2019 to 2021 performance period; and (b) achievement of the 2021 MTIP Consolidated Net Income target.

The table below summarizes actual performance achieved relative to target and the associated payout factor for the MTIP performance period of described above:

Performance Metric	Weighting	Threshold	Target	Stretch	Actual Result (2019 – 2021)		Actual Result Weighted (2019 – 2021)
QI CAGR	50%	6%	8%	10%	7.93%	98%	49%
2021 MTIP Consolidated Net Income	50%	$269M	$299M	$329M	$372M	200%	100%
Payout as a % of Target		50%	100%	200%			149%

The QI CAGR performance metric measures the period-over-period growth of the Corporation's long-term assets, including property, plant and equipment, intangible assets and long-term assets related to financing arrangements or leases, used in its operations.

MTIP Consolidated Net Income is a non-GAAP financial measure and is not a standardized measure under IFRS and may not be comparable to similar measures published by other issuers. MTIP Consolidated Net Income is used solely in the calculation of MTIP compensation for certain employees of EPCOR and not for any additional purposes. MTIP Consolidate Net Income is determined by the Board of Directors, in their judgement, calculated based on the Net Income of the Corporation as per the Corporation's Financial Statements, adjusted to exclude certain unrealized gains and losses related to interest rate swaps and other financial derivatives, and provincial transmission flow-through impacts, as further described above under the heading "*STIP Pool A*". Note that year-to-year, MTIP Consolidated Net Income figures may not be comparable as different factors and adjustments may be determined by the Board.

Reconciliation of MTIP Consolidated Net Income for the past two years is described in the table below:

MTIP Consolidated Net Income (in $millions)	**2021**	**2020**
Net Income per Financial Statements	$388	$276
Change in FV of derivative financial instruments	(7)	-
Transmission system access charge net collections	(3)	(5)
Alberta corporate income tax rate change	-	2
Deferred tax adjustment	-	8
COVID-19-related increases in expected credit losses and reductions in other income(1)	(2)	13
Application of capitalization policy(2)	-	(4)
U.S. Operations settlement of contingent consideration(3)	(4)	-
MTIP Consolidated Net Income	$372	$290

(1) Relates to increases in expected credit losses and reductions in other income as a result of the temporary deferral of utility bill payments by customer as a result of various measures taken by governments related to COVID-19 in 2020. EPCOR has commenced recovery of these amounts from customers through regulatory mechanisms.

(2) Relates to changes in accounting treatment to capitalize certain items which were historically expensed but were determined to extend the useful life of the related asset.

(3) Relates to the settlement of the future obligation to pay contingent consideration for less than the carrying amount with the difference recorded as a gain for accounting purposes.

The value of awards paid to eligible NEOs in respect of 2019 MTIP awards is also described under the "Non-Equity Incentive Plan Compensation – Longer-Term Incentive Plans" column 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 NEOs participate in the same benefits program as all other permanent employees of the Corporation. EPCOR provides executives, including the NEOs, with an annual taxable executive benefit allowance, paid on a bi-weekly basis, that offsets the costs associated with the benefits and pension plans. The Chief Executive Officer's executive benefit allowance also covers the cost of completing annual personal income tax filings.

Executive Business Allowance

Executive officers, including the NEOs, 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 25% 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 167,162 active employees of Alberta municipalities, hospitals and other public entities as at December 31, 2019.

Supplemental Retirement Plans

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

As of June 2012, the DB SRP described above was closed to new participants; although Mr. Lee's and Mr. Scozzafava's participation was grandfathered as both were previously employees of EPCOR and participants in the plan. Since July 2012, new participants are provided with a Defined Contribution Supplemental Retirement Plan for eligible earnings that exceed the *Income Tax Act* (Canada) limits.

SUMMARY COMPENSATION TABLE

The following table provides a summary of compensation for each of the NEOs in 2021:

			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	2021 2020 2019	735,115 727,308 673,769	999,800 707,000 616,000	1,072,800 447,300 779,580	273,016 248,639 749,793	91,716(6) 95,962 93,172	3,172,447 2,226,209 2,912,314
Anthony Scozzafava Senior Vice President and Chief Financial Officer	2021 2020 2019	391,075 386,693 380,481	371,024 212,910 191,250	427,500 199,800 -	183,337 150,480 128,590	66,184(7) 66,227 66,312	1,439,120 1,016,110 766,633
Joseph Gysel Senior Vice President, EPCOR Water USA (President, EWUS) (8)	2021 2020 2019	423,209 470,146 436,106	360,386 271,060 172,808	315,400 157,800 273,886	118,272 120,902 103,643	99,394(9) 105,737 135,792	1,316,661 1,125,645 1,122,235
Stephen Stanley Senior Vice President, Drainage Services	2021 2020 2019	323,326 323,793 322,084	199,691 135,605 125,217	241,300 112,800 202,301	155,449 50,945 88,760	58,262(10) 58,919 62,876	978,378 682,062 801,238
Amanda Rosychuk Senior Vice President, Electricity Services	2021 2020 2019	294,422 291,122 284,628	224,825 151,614 138,224	214,600 97,900 173,846	200,401 89,937 151,450	56,813(11) 56,582 60,593	991,061 687,155 808,741

General Notes:
(1) EPCOR adjusted base salaries effective March 2019, March 2020 and March 2021. Salaries reflect actual amounts earned in 2019, 2020 and 2021 rather than the annualized salaries approved by the Board.
(2) Represents STIP amounts earned for the stated year's performance and paid in the subsequent year. For example, the STIP amount for 2021 relates to performance in 2021 and is paid in 2022.
(3) Reflects MTIP amounts earned in respect of the three-year performance period ending in the stated year and paid in the subsequent year. For example, the MTIP amount for 2021 relates to the three year performance period of 2019, 2020 and 2021, and is paid in 2022.
(4) This column shows the compensatory value of defined benefit 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.
(5) All compensation is reported in Canadian currency. With the exception of pension value earned, Joseph G. Gysel was paid in U.S. currency with, for the purposes of this table, all U.S. dollars paid converted to Canadian currency using the average Canada / U.S. exchange rates as used in preparing the Corporation's consolidated financial statements for the years ended December 31, 2021, 2020 and 2019. The average exchange rate was USD $1 to CDN $1.2537 in 2021, USD $1 to CDN $1.3412 in 2020, and USD $1 to CDN $1.2988 in 2019.

Stuart Lee
(6) Includes an executive benefit allowance of $24,000, an executive business allowance of $25,000 and a matching contribution under the EPCOR Savings Plan of $36,756.

Anthony Scozzafava
(7) 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 $19,554.

Joseph Gysel
(8) Except for pension value earned, Mr. Gysel was paid in U.S. currency – the 2021 amounts paid in U.S. dollars were:
Salary - $337,568 Annual Incentive - $287,458, Longer-Term Incentive - $251,600 and Other Compensation - $79,281.
(9) Includes an executive benefit allowance of $64,111.

Stephen Stanley
(10) 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 $16,167.

Amanda Rosychuk
(11) 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 $14,721.

Outstanding MTIP Awards

The following table outlines the respective values of outstanding MTIP awards, at target performance levels, granted in 2022, 2021 and 2020.

MTIP Grants (1)	Stuart Lee	Anthony Scozzafava	Joseph Gysel(2)	Stephen Stanley	Amanda Rosychuk
2022 *(payable in 2025)*	$1,322,100	$310,400	$265,300	$199,100	$181,600
2021 *(payable in 2024)*	$1,289,800	$294,100	$202,600	$194,300	$177,200
2020 *(payable in 2023)*	$1,277,500	$291,200	$202,600	$194,300	$175,400

(1) Award amounts are calculated based on each NEO's respective target award as a percentage of salary and rounded up to the nearest hundred dollars.
(2) Mr. Gysel's 2020, 2021 and 2022 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 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 2021, employees were required to contribute 8.39% of pensionable earnings up to the YMPE plus 12.84% of pensionable earnings in excess of the YMPE, and EPCOR contributed 9.39% of pensionable earnings up to the YMPE and 13.84% 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 2000. The DB SRP has the same early retirement and indexing provisions as the LAPP.

Pension Plan Table

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 ($)		Opening Present value of defined benefit obligation[(4)] ($)	Compensatory Changes[(4,5)] ($)	Non-compensatory Changes ($)	Closing Present value of defined benefit obligation[(4)] ($)
		At Year End[(2)]	At age 65[(3)]				
(a)	(b)	(c1)	(c2)	(d)	(e)	(f)	(g)
Stuart Lee	18.4001[(6)]	364,979	513,494	6,499,532	273,016	(303,904)	6,446,368
Anthony Scozzafava	20.4038[(7)]	39,601	144,224	498,909	183,337	(34,780)	625,190
Joseph Gysel [(11)]	12.5000[(8)]	166,119	174,412	2,556,305	118,272	(94,340)	2,557,961
Stephen Stanley	21.6154[(9)]	187,853	236,541	2,541,620	155,449	(182,234)	2,492,559
Amanda Rosychuk	27.0131[(10)]	181,485	255,047	2,599,156	200,401	(277,315)	2,499,966

(1) Credited service in respect of the LAPP as at December 31, 2021.
(2) Accrued DB pension under the LAPP and DB SRP as at December 31, 2021 payable at normal retirement age of 65 based on highest average earnings, average YMPE and credited service as at December 31, 2021. An unreduced pension is payable at the earliest of age 65 or 85 points.
(3) 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, 2021.
(4) 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, employer 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).
(5) Includes $21,223 in employer contributions to the LAPP.
(6) Credited service under DB SRP is 18.4370 years.
(7) Credited service under DB SRP is 3.8482 years.
(8) Credited service under DB SRP is 21.3333 years.
(9) Credited service under DB SRP is 22.0000 years.
(10) Credited service under DB SRP is 22.0000 years.
(11) All pension amounts are earned in Canadian dollars. There is no currency adjustment for Mr. Gysel.

EMPLOYMENT AGREEMENTS

The Corporation is party to an employment agreement with Mr. Lee. The Corporation does not have employment-related agreements with the other NEOs.

Stuart Lee

Mr. Lee was appointed President and Chief Executive Officer effective September 2015. Mr. Lee's Executive Employment Agreement is in effect until August 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, 2021:

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 incentives will be paid at target.	• Lump sum payment of approximately $2.57M 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, to a 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. • Clawback provisions may apply in this circumstance.	• 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 STIP target (i.e. 75% of annual base salary); and (iii) a payment equal to the benefits and pension contributions for a 24 month period. • Mid-term incentives vest for service completed during the applicable performance period and will be paid out at target, which would be 175% of annual base salary.	• Lump sum severance payment of approximately $2.84 million minus applicable deductions and withholding taxes; plus • Lump sum mid-term incentive payment of approximately $2.00 million minus applicable deductions and withholding taxes.(2)

(1) Represents an estimate of the value only based upon the information available as at December 31, 2021. 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 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 periodically to ensure it remains competitive. Director compensation is benchmarked against companies in the comparator group used to determine competitive compensation for the Corporation's executives. The last review was conducted in 2020 and no changes were made to the Corporation's director compensation.

In consideration for serving on the Board for 2021, directors were compensated as indicated below:

Type of Fee	Amount ($)(6)
Board Chair Annual Retainer	150,000(1)
Director Annual Retainer	30,000(2)
Director Retainer (in lieu of) Annual Stock Retainer	30,000(3)
Travel Related Compensation	500(4)
Audit Committee Chair Annual Retainer	9,000
Audit Committee Member Annual Retainer	6,000
Other Committee Member Annual Retainer	3,000
Board Meeting Attendance Fee	1,500
Audit Committee Meeting Attendance Fee	3,000
Other Committee Meeting Attendance Fee	1,500
Annual General Meeting Attendance Fee	1,500
Shareholder Meeting Attendance Fee(5)	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 Director Annual Retainer, $1,500 is set aside to reimburse directors for costs related to 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. The remaining $28,500 is paid in quarterly installments of $7,125.

(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 their 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 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.

(6) 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 USD $30,000 in respect of the Director Annual Retainer, $1,500 of which is subject to the director exercising their right to education. Currently, Robert Foster and Alan Krause are the only U.S. resident directors and are compensated in U.S. dollars; for a summary of 2021 compensation in Canadian dollars, refer to 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, 2021:

Director Compensation Table (all figures in Canadian currency)

Name	Fees Earned ($)	Share-Based Awards ($)	Option-Based Awards ($)	Non-Equity Incentive Plan Compensation ($)	Pension Value ($)	All Other Compensation[1] ($)	Total ($)
Leontine Atkins	103,500					3,675	107,175
Margaret Bateman	88,500						88,500
Richard Cruickshank	90,000					3,000	93,000
Vito Culmone	106,500					3,825	110,325
Robert Foster[2]	113,670						113,670
David Hay	102,000					3,600	105,600
Alan Krause[3]	115,581						115,581
Allister McPherson	88,500						88,500
Janice Rennie	228,000					9,900	237,900
Catherine Roozen	103,500						103,500
Nizar Jaffer Somji	90,000					3,000	93,000

(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) Robert Foster and Alan Krause are U.S. residents and compensated in U.S. dollars. Compensation listed in the table was converted from U.S dollars using exchange rates at dates of payment.

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", "could" 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) timing of application for and receipt of regulatory approvals, including that related to acquisitions, capital projects and rate filings; (ii) expectations regarding amendments to and timing of regulatory and environmental requirements, including relating to drinking water and lead standards; (iii) effect of the COVID-19 pandemic, including impact on service, reliability and employees, as well as anticipated recovery of costs and losses due to bill deferrals, interest forgiveness and bad debt expense; (iv) timing of capital investments related to EPCOR's SIRP and CORe; (v) expectations regarding timing, nature and effect of environmental and climate change activities, initiatives and opportunities, including increasing resilience of infrastructure, reduction of GHG emissions, treatment or removal of hazardous materials, the E.L. Smith solar project, the Gold Bar RNG project and the purchase of renewable electricity credits from Renewable Energy Systems Canada Inc.; (vi) expectations related to projected capital expenditures and construction or development projects and acquisitions, including timing and cost; (vii) expectations related to customer attrition; (viii) plans and expectations regarding the Technologies' business; (ix) credit rating expectations; (x) expectations regarding the timing of legal proceedings; and (xi) expectations regarding water or other resource scarcity.

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, government and regulatory environments in which it operates; (ii) availability and cost of financing; (iii) availability and cost of labor and management resources; (iv) performance of counterparties, including but not limited to contractors and suppliers, in fulfilling their obligations to the Corporation; (v) the Corporation's ability to secure new utility investments; (vi) quality and sufficiency of water supply; (vii) timing of other regulatory bodies' decisions, including in relation to the E.L. Smith solar project; (viii) the effect on Energy Services of competition from non-regulated retailers; (ix) competition; and (x) the continued impact of the COVID-19 pandemic, including the availability and timing of delivery of vaccines. 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 February 17, 2022 for the year ended December 31, 2021.

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, 2021.

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 as related to disclosures of environmental, social and governance matters; 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, of Audit and Risk Management 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. DUTIES AND RESPONSIBILITIES

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

10. monitoring the appropriateness of accounting policies and financial reporting used by the Corporation and 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 computerized systems are reliable and secure and that the prescribed internal controls, including those related to financial reporting, computerized information and industrial control systems and security, and data privacy, are operating effectively;

12. reviewing whether management has implemented policies ensuring that the Corporation's financial and related 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 any material financial impropriety and / or fraud, ensuring the investigations were conducted on a basis that protects the confidentiality of the complainer;

17. reviewing management’s plan to ensure the adequacy and effectiveness of internal controls related to disclosures of environmental, social and governance matters, and the Corporation’s annual sustainability report;

18. monitoring trends relating to control mechanisms and the integration of ESG criteria in financial reporting;

Financial Management

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

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

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

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

23. 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

24. 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;

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

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

27. approving the compensation paid to the external auditors on an annual basis;

28. 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;

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

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

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

32. 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;

33. resolving issues with management regarding financial reporting;

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

Internal Auditor Governance

35. 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, including status of all audit findings;

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

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

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

39. reviewing the results of an external assessment, performed every five years by a qualified independent assessor or assessment team, of the internal audit function's conformance with International Standards for the Professional Practice of Internal Auditing (Standards);

Audit Committee Governance

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

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

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

43. reporting to the Board as required.

D. <u>MEETINGS</u>

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

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The Board of Directors (the "Board") and the Management of EPCOR Utilities Inc. (“EPCOR” or the “Corporation”) are committed to demonstrating leadership in corporate governance. The Board is responsible for the overall stewardship and governance of EPCOR, and to deliver long term value to the City, EPCOR’s sole shareholder.

The Board acts in accordance with the requirements of the Business Corporations Act (Alberta) (the “Act”), the Articles, the Unanimous Shareholder Agreement and the By-Law of EPCOR as may be amended from time to time, as well as all applicable securities laws and internal policies. The Board has the duty to act honestly and in good faith with a view to the best interests of the Corporation. This guideline provides an overview of EPCOR’s corporate governance policies, principles and practices which enable us to responsibly advance the long term interests of our shareholder, provide clean water and safe reliable energy to our customers, and foster the success of EPCOR for all our stakeholders.

The Board and its Committees are committed to continuous review and improvement of EPCOR’s governance systems to be sure they meet or exceed the standards of evolving securities, regulatory and market environments in which EPCOR operates. This Statement of Corporate Governance Practices has been approved by the Board and is subject to ongoing refinement or changes as the Board determines necessary or desirable to comply with evolving corporate governance laws and practices.

Responsibilities of the Board

The Directors have the power to manage the business and affairs of the Corporation, except as limited or restricted by the Act, the Unanimous Shareholder Agreement, the Articles and the By-Law. The Board has the following specific responsibilities:

- Managing the Affairs of the Board

  The Board manages the affairs of the Board by establishing an appropriate number of committees to provide more detailed review of important areas of responsibility, delegating certain of its authority to Board Committees or Management, reserving certain powers to itself and making certain recommendations to the Shareholder. The Board has established the following standing committees to examine, test, review and explore designated issues and make recommendations to the Board: (i) Audit Committee; (ii) Human Resources and Compensation Committee; (iii) Environment, Health and Safety Committee; and (iv) Corporate Governance and Nominating Committee. The chair of each committee is responsible for the effective operation of the committee and the fulfillment of the Committee’s terms of reference.

  - Strategic Planning

  Management is responsible for the development and maintenance of the strategic plan, with input and oversight from the Board. The Board and management hold semi-annual strategy sessions which provide a forum for Directors to provide management with input and constructive feedback. The Board annually reviews and approves the final strategy and budgets which support the Corporate Strategy and Financial Plan. The Board then monitors and measures management’s execution of the strategic plan and its achievement of the approved objectives.

- Management and Human Resources

  The Board is responsible for appointing the President and Chief Executive Officer “(CEO”), setting their compensation, and monitoring the CEO’s performance against stated objectives. The Board also approves, at the recommendation of the CEO, the appointment of officers that report directly to the CEO. The Board reviews annually the succession plans for the CEO and management reporting to the CEO. The Board is responsible for ensuring succession plans are in place for the CEO and the officers that report to the CEO, and ensuring that management has programs in place to train and develop employees.

- Enterprise Risk Management

  The Board is responsible for oversight of the principal risks of the Corporation, and the systems in place to effectively monitor and manage these risks. EPCOR has a formal Enterprise Risk Management process in place to identify, manage and monitor the business risks that could significantly impact day to day operations or the Corporation's long term plans. Management ranks the critical strategic and operational risks through this program and these risks are reviewed by the Board on a quarterly basis. Annually, each Committee reviews the risks for which it has oversight responsibility pursuant to that Committee' Terms of Reference.

- Financial Oversight

  The Board is responsible for oversight of the reliability and integrity of EPCOR's financial reporting, including adherence to appropriate accounting principles and practices, and its management information systems. The Audit Committee has specific responsibility to oversee Management's establishment of an adequate system of internal controls. These controls are designed to provide reasonable assurance regarding the achievement of stated objectives regarding the effectiveness and efficiency of operations, and the reliability of financial reporting and compliance with applicable laws and regulations. The Audit Committee meets regularly with and receives reports from EPCOR's internal and external auditors.

- Shareholder and Corporate Communications

  The Board oversees Management's communication processes with the Shareholder, security holders, and the investment community, as well as financial, regulatory and other stakeholders. Management has established a Disclosure Committee to monitor the internal procedures that oversee the timely, fair and accurate public disclosure of all material information. This practice is designed to keep security holders and the public appropriately informed about the business and affairs of the Corporation.

- Policies and Procedures

  The Board is responsible for approving and taking all reasonable steps to monitor compliance with significant policies and procedures by which the Corporation is operated. The Board requires Management to ensure the Corporation operates at all times within applicable laws and regulations and to high ethical and moral standards.

  The Corporation has adopted a written Ethics Policy applicable to all employees, officers and Directors of EPCOR which promotes a culture of integrity and respect which is maintained throughout the organization. The Board has oversight and control over the Policy including responsibility for approving material changes to the Policy, and authorizing deviations from the Policy.

Position Descriptions

The Board has adopted Position Descriptions for the Board Chair and Individual Directors.

The role of the Chair of the Board is to facilitate the functioning of the Board independently of Management and to maintain and enhance the quality of corporate governance at EPCOR. The Chair plays a critical leadership role in promoting the optimum functioning of the Board and in maintaining a positive working relationship with the CEO and the Shareholder. The Chair's key responsibilities are set out in the Chair's Position Description.

As a member of the Board, it is each Director's role is to exercise sound business judgment to act in a way they reasonably believe to be in the best interests of the Corporation. Directors are expected to fulfill all legal and statutory requirements of a Director, which include having a comprehensive understanding of statutory and fiduciary roles. Individual Director's key responsibilities are set out in the Position Description for an Individual Director.

Nomination of Directors

New director candidates are identified by the Corporate Governance and Nominating Committee, with a view to matching their skills and qualifications with the attributes required by the Board. Suitability as a director is based on a balance of diversity, personal characteristics, applicable experience, specialized knowledge, technical skills and affiliations. The Corporate Governance and Nominating Committee keeps matrices, which identify the skills, expertise, knowledge, education and experience of the existing Directors and areas where the Board requires certain skills, expertise, knowledge, education and experience.

The Shareholder is responsible for the appointment and re-appointment of the Chair and Directors of the Corporation. The Corporation does not impose a mandatory retirement age for Directors. Directors are generally re-appointed by the Shareholder every two years, to a maximum 15 year term, unless this maximum is extended by Shareholder resolution.

Director Independence

The Chair and all members of the Board are independent, as that term is defined in National Instrument 58-101 – *Disclosure of Corporate Governance Practices*. 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.

Although the Board does not set a formal limit on the number of outside interlocking board and committee memberships held by the Directors, the Corporate Governance and Nominating Committee reviews this as part of its annual evaluation of Director independence.

Board Size

The Corporation is required to have a minimum of one and a maximum of 13 Directors. The size of the Board is recommended by the Corporate Governance and Nominating Committee in conjunction with the Board Chair as part of the biennial board assessment when matters such as board composition, size, and effectiveness and contribution of each Director are considered. In reviewing Board size, the Board balances the competing goals of keeping the Board small enough for effective discussions yet offering adequate representation to meet the demands of Board and Committee work in the context of EPCOR's business and operating environment.

Assessments

The Corporate Governance and Nominating Committee reviews, monitors and makes recommendations on the effectiveness of the Board. 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 and senior management reporting to the CEO; (ii) having the Chair of the Board or the Corporate Governance and Nominating Committee interview all members of the Board; and (iii) having all members of the Board complete confidential surveys and evaluations. Evaluation 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.

Orientation and Continuing Education

New Directors receive orientation materials in advance of an initial one-day orientation with presentations by each of the CEO, Chief Financial Officer and each Senior Vice President. 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, significant policies and other related matters of interest to the Directors.

At least annually, Directors tour a facility owned and/or operated by the Corporation, rotating such tours amongst the Corporation's three main lines of business: water/wastewater, sanitary wastewater and stormwater collection and conveyance, and electricity transmission and distribution, and the Corporation's smaller lines of business: energy services, natural gas distribution and transportation and electrical infrastructure.

Regular presentations are made at Board meetings and planning sessions with respect to subjects relevant to the operations of the Corporation. Funding is available for Directors to participate in outside education opportunities relevant to our industry and/or their role as a Director, and Management actively pursues and identifies these opportunities.

Board and Committee Meetings

The Board holds four regularly scheduled meetings and two planning sessions each year, as well as *ad hoc* meetings as required from time to time. The Board holds a portion of each meeting in camera without management present. 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.

Committee Chairs regularly lead in-camera discussions without any management present to facilitate open and candid discussion among committee members. The Board and Committees also meet in camera with the Corporation's external auditors, internal auditors and one on one with members of management. Following each committee meeting, the committee chair reports to the Board on the committee's activities and makes appropriate recommendations.

Director Compensation

The Corporate Governance and Nominating Committee regularly reviews Director compensation. The Committee considers time commitment, comparative fees, and responsibilities related to remuneration for Directors. On the advice of the Committee, the Chair of the Board makes recommendations to the Shareholder for approval of Directors' compensation. The Committee receives advice in respect of Directors' compensation from qualified, independent compensation consultants.

Management's Role

The Board acts in an oversight role, and delegates to Management the responsibility for managing the day to day affairs of the Corporation. Management is accountable for implementing the Board's decisions, for directing and overseeing the operations of the Corporation, and for developing and executing the strategic plan. The Corporation's By-Law further describes the role of certain corporate officers. The CEO has a written Position Specification and the Human Resources and Compensation Committee annually conducts an evaluation of the CEO's performance against their established objectives.

Reporting to the Board of Directors, the CEO oversees all strategic, operational, financial and brand-building aspects of EPCOR's business. The CEO is responsible for formulating and executing the corporate strategy with the objective of ensuring long term profitability and growth while achieving key non-financial objectives of the EPCOR. The CEO is responsible for positioning EPCOR to capture growth opportunities and provide superior long-term returns to the shareholder that are commensurate with EPCOR's risk profile.

Internal Audit is responsible for providing independent assurance to the Audit Committee on the effectiveness of risk management processes and systems of internal control at EPCOR. The Internal Auditor has a direct reporting line to the Audit Committee for functional purposes and to the Chief Financial Officer for administrative purposes.