ORIGINAL

0000160157

RECEIVED

BEFORE THE ARIZONA CORPORATION COMMISSION

2015 JAN 23 P 3: 39

AZ CORP COMMISSION
DOCKET CONTROL

COMMISSIONERS

SUSAN BITTER SMITH, Chairperson
BOB STUMP
BOB BURNS
DOUG LITTLE
TOM FORESE

IN THE MATTER OF THE APPLICATION OF EPCOR WATER ARIZONA INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES FOR UTILITY SERVICE BY ITS MOHAVE WATER DISTRICT, PARADISE VALLEY WATER DISTRICT, SUN CITY WATER DISTRICT, TUBAC WATER DISTRICT, AND MOHAVE WASTEWATER DISTRICT.	DOCKET NO. WS-01303A-14-0010 **NOTICE OF FILING DIRECT TESTIMONY OF JOHN S. THORNTON, JR. ON BEHALF OF SANCTUARY CAMELBACK MOUNTAIN RESORT & SPA, JW MARRIOTT CAMELBACK INN AND OMNI SCOTTSDALE RESORT & SPA AT MONTELUCIA**

Sanctuary Camelback Mountain Resort & Spa, JW Marriott Camelback Inn, and Omni Scottsdale Resort & Spa at Montelucia ("The Resorts"), through undersigned counsel, hereby files the Direct Testimony of John S. Thornton, Jr., in the above referenced matter.

DATED this 23rd day of January, 2015.

MUNGER CHADWICK, P.L.C.

Robert J. Metli, Attorneys for Sanctuary Camelback Mountain Resort & Spa, JW Marriott Camelback Inn, and Omni Scottsdale Resort & Spa at Montelucia

Arizona Corporation Commission
DOCKETED
JAN 23 2015
DOCKETED BY nR

Original and 13 copies filed this
23rd day of January, 2015, with:

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Copy of the foregoing mailed/
e-mailed/hand-delivered this 23rd day
of January, 2015, to:

Dwight D. Nodes
Assistant Chief Administrative Law Judge
Hearing Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Janice Alward, Chief Counsel
Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Steven M. Olea, Director
Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Thomas Campbell
Michael Hallam
Lewis Roca Rothgerber, LLP
201 E. Washington Street, Suite 1200
Phoenix, Arizona 85004
Attorneys for EPCOR Water Arizona Inc.

Daniel W. Pozefsky
RUCO
1110 West Washington Street, Suite 220
Phoenix, Arizona 85007

Ann-Marie Anderson
5025 N. Central Avenue, Suite 530
Phoenix, Arizona 85006
Attorneys for RUCO

Marshall Magruder
P.O. Box 1267
Tubac, AZ 85646-1267

Rich Bohman, President
Santa Cruz Valley Citizens' Council
P.O. Box 1501
Tubac, AZ 85646

Greg Patterson
WUAA
916 West Adams, Suite 3
Phoenix, AZ 85007

Delman E. Eastes
2042 E. Sandtrap Lane
Fort Mohave, AZ 86426

William F. Bennett, Legal Counsel
Paradise Valley Country Club
7101 N. Tatum Boulevard
Paradise Valley, AZ 85253

Andrew M. Miller
Town Attorney
6401 E. Lincoln Drive
Paradise Valley, AZ 85253
Attorney for Town of Paradise Valley

Albert E. Gervenack
14751 West Buttonwood Drive
Sun City West, AZ 85375

Jim Stark
Sun City Home Owners Association
10401 West Coggins Drive
Sun City, Arizona 85351

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

SUSAN BITTER SMITH, Chairperson
BOB STUMP
BOB BURNS
DOUG LITTLE
TOM FORESE

IN THE MATTER OF THE APPLICATION OF EPCOR WATER ARIZONA INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES FOR UTILITY SERVICE BY ITS MOHAVE WATER DISTRICT, PARADISE VALLEY WATER DISTRICT, SUN CITY WATER DISTRICT, TUBAC WATER DISTRICT, AND MOHAVE WASTEWATER DISTRICT.	DOCKET NO. WS-01303A-14-0010

DIRECT TESTIMONY OF JOHN THORNTON

JANUARY 23, 2015

EXECUTIVE SUMMARY

Mr. Thornton recommends the Arizona Corporation Commission (the "Commission") reject the System Improvement Benefits charge ("SIB") for the Paradise Valley Water District ("PVWD") and he raises SIB concerns for the other water districts.

The base rate case for PVWD requests an 8.7% increase in total revenues. The proposed SIB is expected to increase total PVWD revenues by another 9.75%. EPCOR Water Arizona did not notice Paradise Valley Water District customers about the SIB or its intended impact on rates.

The SIB is an abnormal rate-making mechanism that should only be implemented in extraordinary circumstances. The Commission previously found a SIB appropriate for the financially struggling Arizona Water Company and its extraordinary financial circumstances. A SIB should not be employed when a utility is able to fund its normal day-to-day infrastructure needs through normal means and does not face extraordinary circumstances. EPCOR represented to the Commission that it was happy, willing and able to invest in Arizona-American Water Company infrastructure when it sought approval to purchase Arizona-American. EPCOR should uphold its promises and representations. EPCOR is a financially healthy enterprise whose circumstances do not merit a SIB mechanism.

Q. WHAT ARE YOUR NAME, EMPLOYER AND OCCUPATION?

A. My name is John S. Thornton. I am principal of Thornton Financial Consulting, L.L.C. and an independent consultant in utility finance and economics.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND WORK EXPERIENCE.

A. My educational background culminated in a Master of Science degree from the University of London (economics with specialty in corporate finance at the London School of Economics and Political Science ["LSE"]). I also hold a Graduate Diploma in Economics (with credit) from the LSE. I am a Certified Rate of Return Analyst and have enjoyed continuing education in finance, statistics, and business over the years. I participated as a cost of capital and utility finance expert in numerous electric utility, local gas distribution and telephone cases in the states of Oregon, Washington, California, Idaho, Nevada, Oklahoma, and Arizona. In addition, I testified in gas pipeline cases before the Federal Energy Regulatory Commission. I worked at the Public Utility Commission of Oregon for thirteen years and left as a Senior Economist and its chief rate-of-return and finance witness. Subsequently, I became Chief of the Financial and Regulatory Analysis Section of the Arizona Corporation Commission's Utility Division. My Witness Qualifications Statement, found in Exhibit JST-1, more fully describes my background.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE ARIZONA CORPORATION COMMISSION?

A. Yes, I have.

Q. ON WHOSE BEHALF DO YOU APPEAR?

A. I appear on behalf of the JW Marriott Camelback Inn, Sanctuary Camelback Mountain Resort & Spa and the Omni Scottsdale Resort & Spa at Montelucia (the "Resorts"). The Resorts are three commercial businesses in the Paradise Valley Water District who were granted intervention in this case.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. My testimony recommends against EPCOR Water Arizona, Inc.'s ("EWAZ" or the "Company") proposed Systems Improvement Benefits charge ("SIB"). The SIB is an abnormal rate-making mechanism that EWAZ proposes to cover normal capital expenditures so its application is fundamentally inappropriate. I also have technical and policy concerns with the Company's proposed SIB including its calculation and its earnings test benchmark.

Q. WHICH COMPANY WITNESS PROPOSES THE SIB AND HOW DO THEY SUMMARIZE THEIR PROPOSITION?

A. Company witness Candace Coleman proposes the SIB. She states in her executive summary,

> "EPCOR Water Arizona Inc. ('EWAZ' or 'Company') has requested a System Improvement Benefits (SIB) mechanism for its Mohave Water, Paradise Valley Water, and Sun City Water districts in order to facilitate the financing and replacement of aging infrastructure assets. This will ensure adequate and reliable water service while reducing large bill increases for ratepayers such as those that occur from infrequent and irregular rate case cycles."

The instant case would be the first case in which EWAZ would be granted a SIB mechanism.

Q. WHY IS THE SIB AN ABNORMAL RATE-MAKING MECHANISM?

A. The SIB is in a class of "automatic adjustment clauses" or "adjustors." Adjustors are clauses to a rate-making order that allow for future adjustments to tariffs. Those tariff adjustments are based on some cost fluctuation a utility faces. Adjustors can be used in a case where a utility faces a significant operating expense that exogenously rises or falls, e.g. in the case of a local gas distribution company whose market costs of gas rise and fall and constitute a large portion of total charges. In contrast, the Company's proposed SIB seeks return on and return of day-to-day capital expenditures ("CAPEX"). The CAPEX replacement programs captured by the EWAZ SIB are internal re-investments incurred in the normal course of business.

Q. HOW DOES MS. COLEMAN JUSTIFY THE SIB?

A. Ms. Coleman states, beginning on page 3 at line 4 of her testimony,

> "EPCOR is requesting a SIB mechanism to enable EWAZ to meet the challenge of replacing aging and failing infrastructure. A SIB results in more gradual rate increases, which increases the time between rate cases and reduces their complexity. This will help to keep EWAZ financially healthy, in turn, enabling it to attract the capital it needs to continue to provide safe and reliable water service. It benefits the customers by reducing the magnitude of increases in their bills following rate cases while investing in plant and facilities to continue to maintain and improve the performance of the water systems."

Q. IS EWAZ'S PROPOSED SIB BASED ON ANY OTHER PREVIOUS SIB?

A. Yes, EWAZ's SIB appears to be based on a SIB mechanism implemented for Arizona Water Company under Decision No. 73938.

Q. DO ANY SIGNIFICANT DIFFERENCES ARISE BETWEEN ARIZONA WATER COMPANY AND EWAZ THAT WOULD MITIGATE THE NEED FOR A SIB IN THIS CASE?

A. Yes, the two cases differ significantly. Arizona Water Company ("AWC") struggled financially and had limited access to capital markets to fund its CAPEX. Arizona Water Company argued that the sheer volume of replacement CAPEX in its systems and the resulting strain on it financially was extraordinary. The Commission cited the extraordinary nature of the situation in footnote 10 of the AWC SIB order,

> "When asked what made AWC's situation extraordinary and warranted an adjustor mechanism, Mr. Reiker responded: From my perspective, I'm a finance person. The extraordinary nature is the shear [sic] magnitude of the investment. We've put evidence in the record, in Mr. Schneider's direct testimony, of massive amounts of investment that need to occur. That's extraordinary. We can't go out tomorrow and find an insurance company that will loan us $60 million. That's not going to happen."

Joseph D. Harris, Arizona Water Company Vice President and Treasurer, testified in that case,

> "Based on its current limited financial resources, the Company is not able to fund the type of infrastructure replacement program required to ensure the long-term reliability and adequacy of the Company's water distribution systems. These types of replacement programs enable a utility to provide reliable and adequate water service, but they also add to the Company's cost of providing service without any additional revenue to recover those costs.
>
> The Company is in critical financial condition due to rising costs and declining customer sales which, taken together, severely restrict the Company's ability to issue additional debt while still meeting the minimum interest coverage ratio provisions of its General Mortgage Bond Indenture."

In other words, Arizona Water Company's critical financial condition and limited or lack of access to capital funding made the SIB mechanism appropriate for Arizona Water Company. EWAZ/EPCOR do not face these same extraordinary circumstances.

Q. HOW BIG IS ARIZONA WATER COMPANY COMPARED TO EPCOR?

A. Arizona Water Company is smaller than EPCOR. Arizona Water Company's SIB was created in phase 2 of docket W-01445A-11-0310. Joseph D. Harris' Exhibit JDH-5, Schedule 1, page 1 of 10, from that docket shows total company assets of $322,973,735. (*See* Exhibit JST-2.) By contrast, Exhibit JST-3 is EPCOR's 2013 financial statements that report consolidated assets of $Cdn 5,447,000,000 (about 5.4 billion Canadian dollars).

Q. DOES EPCOR HAVE A LACK OF ACCESS TO CAPITAL MARKETS IN THE SAME WAY THAT JOEL REIKER AND JOSEPH HARRIS REPRESENTED FOR ARIZONA WATER COMPANY?

A. No, it does not. EPCOR represented publicly that it has significant access to debt capital markets. Exhibit JST-4 provides a March 2014 investor presentation. Page 20 of that presentation reports the following bullet points on EPCOR's strong financing and liquidity:

- "Syndicated bank credit facility of $500 million (two tranches of $250 million).
    - Supporting $500 million commercial paper program.
    - Current maturity dates of November 2016 and November 2018.
- Committed letter of credit facility of $400 million to November 2016.
- Demand facilities for approximately $47 million.
    - $25 million CAD, $22 million USD.
- Strategy in place to monetize all or a significant portion of interest in Capital Power
    - $202 million transacted in October 2013.
- Available medium-term note (MTN) debt capacity of $1 billion under short-term base shelf prospectus recently renewed to December 2015.
- Accessing debt capital markets.
    - Market tone is very constructive for additional EPCOR debt issuance.
    - February 2012 $300 million MTN (30-year) was oversubscribed."

On the following page 21 of the presentation under "Financial Strategies and Policies" EPCOR included the following points:

- "Target adequate liquidity profile – rated no less than adequate under Standard & Poors criteria.

- Capital expenditures will be funded with a mix of debt and equity in proportions necessary to maintain current investment grade credit rating.
- Debt profile will be a blend of short and long-term debt but heavily weighted to long-dated maturities to achieve match with asset lives and sourced at lowest economic cost with due consideration to interest rate and foreign exchange risks."

Q. DID EPCOR REPRESENT THAT IT HAD STRONG ACCESS TO CAPITAL PRIOR TO 2014?

A. Yes, it did. An investor presentation from June 2013, included as Exhibit JST-5, positively represented EPCOR's access to capital on page 19. A September 2012 investor presentation, included as Exhibit JST-6, positively represented EPCOR's access to capital on page 15. Finally, a February 2012 EPCOR presentation at an Infrastructure and Utilities Conference, included as Exhibit JST-7, positively represented EPCOR's access to capital on page 12. All of these presentations are publicly available on EPCOR's website.

Q. DID EPCOR REPRESENT THAT IT WAS FINANCIALLY CAPABLE TO INVEST IN ARIZONA-AMERICAN WATER COMPANY WHEN IT SOUGHT COMMISSION APPROVAL FOR THE ACQUISITION?

A. Yes, EPCOR represented that it was financially capable to invest in Arizona-American Water Company operations in the merger proceeding, Docket No. W-01303A-11-0101. Decision No. 72668 includes the following paragraphs,

"46. The purchase price for the proposed transaction will be funded by cash and debt. EPCOR has substantial assets and business operations in Canada. In 2009, EPCOR had approximately $2.4 billion ($Cdn) in revenue from various operations, and net income of approximately $125 million ($Cdn). No material changes to EPCOR's capital structure are expected as a result of the proposed transaction, and EPCOR will continue to finance capital projects in the same way it has in the past.

47. EPCOR USA intends generally to adopt American Water's projected capital budget plan for Arizona-American for the years 2011 through 2013. Under that plan, capital projects totaling approximately $36.8 million would be constructed over the next three years. EPCOR USA states that upon approval of the proposed transaction, it may add additional projects, and may substitute or alter the timing of planned projects to ensure that necessary investments to maintain and improve the provision of utility service are undertaken.

48. ***EPCOR USA states that EPCOR has access to the capital market and will be able to support Arizona-American as appropriate***, and to assist Arizona-American in obtaining capital, if necessary. Over the period of 2004 to 2009, EPCOR routinely financed an average of $400 million ($Cdn) annually in capital improvements for its water, wastewater and electric facilities. EPCOR maintains a Standard & Poor's credit rating of BBB+ stable for long-term unsecured debt and DBRS Ltd, affirmed its credit rating for EPCOR's long-term unsecured debt at A (low) stable.

58. EPCOR USA agrees with Arizona-American that the proposed transaction meets all the standards set forth in Rule 803 and is in the public interest. ***EPCOR USA states that it is happy to invest in Arizona and continue the tradition of good quality water service provided by Arizona-American, and requests that the Commission approve the proposed transaction.***" (emphasis added)

In summary, EPCOR represented that it had the financial strength and desire to fund CAPEX and ensure quality service. EPCOR did not represent that it needed any sort of abnormal SIB mechanism to maintain Arizona-American's systems. EPCOR's investor presentations represented that it has solid access to capital.

Q. DID THE ARIZONA WATER COMPANY CASE W-01445A-11-0310 DECISION PRESENT EXCEPTIONAL CIRCUMSTANCES AS JUSTIFICATION FOR THE SIB?

A. Yes, the Arizona Water Company case did present exceptional circumstances. Decision No. 73938 stated in footnote 39,

> "The SIB is a different type of adjuster mechanism than has previously been reviewed by the courts because it allows recovery of plant costs associated with AWC's substantial distribution system improvement needs, rather than fuel costs. However, even if the SIB is not considered an "adjustment mechanism" under Scates, we believe that it is an exceptional circumstance given the significant capital investment requirements for infrastructure replacements demonstrated by AWC."

The Arizona Water Company case presented an exceptional and unique set of circumstances: a financially-strapped utility that had to invest in its infrastructure to maintain service. These unique circumstances merited an abnormal rate-making tool in the SIB. The unique Arizona Water Company case should not serve as a boilerplate model for the proliferation of SIBs across hundreds of Arizona's utility systems.

Q. YOU HAVE ADDITIONAL POLICY AND TECHNICAL CONCERNS WITH EWAZ'S SIB. WHAT IS YOUR PRIMARY CONCERN?

A. I am primarily concerned that a cumbersome and abnormal SIB is proposed for a water system that doesn't apparently need accelerated infrastructure replacement. If system-wide infrastructure were radically failing then it should appear in the water loss statistics. The Company filed a "Water Use Data Sheet By Month For Calendar Year 2012" in this case. That report calculates a 7.67% water loss for the Paradise Valley Water District. The PVWD 7.67% water loss falls below the threshold 10% system water loss cited as a possible SIB criterion. The Company cites no other quantifiable metrics to support instituting an abnormal SIB mechanism for recovery of, and on, day-to-day CAPEX. Other metrics might include the number of service complaints, the response time to service complaints, or service interruptions.

Q. WAS MAINTAINING QUALITY SERVICE A CONDITION OF EPCOR'S ACQUISITION OF ARIZONA-AMERICAN WATER?

A. Yes, it was. Decision No. 72668's Conclusions state, in part,

> "86. Based on the evidence presented, we find that the proposed transaction will not impair the financial status of Arizona-American, otherwise prevent it from attracting capital at fair and reasonable terms, or impair its ability to provide safe, reasonable and adequate service.
>
> 87. It is in the public interest to approve the reorganization as set forth in the Notice, subject to the following conditions:
>
> > (4) Arizona-American shall maintain its quality of service, including, but not limited to the following quality of service measurements: the number of service complaints shall not increase as a result of the reorganization, the response time to service complaints shall not increase as a result of the reorganization, and service interruptions shall not increase as a result of the reorganization;"

The Commission conditioned approving EPCOR's Arizona-American Water Co. acquisition on maintaining quality service. Such maintenance was never pre-conditioned on a SIB mechanism.

Q. WHAT IS YOUR SECOND CONCERN WITH THE SIB?

A. My second concern addresses the proposed SIB projects. Those projects are replacements of aging infrastructure based on "Nessie Curves." Per the "SIB Engineering Report" (*see* EWAZ Exhibit CC-1-C), Nessie Curve analysis forecasts infrastructure failure and its replacement cost. Ms. Coleman's testimony appears unclear whether or not the Nessi Curve predictions are limited to fully depreciated assets. Page 5, beginning at line 15, of her testimony states "In our case, the Mohave Water, Paradise Valley Water, and Sun City Water districts each require investment in infrastructure as many assets are nearing or have surpassed their useful lifetimes." She implies that some assets to be replaced are not fully depreciated. If an asset has depreciation expense in the current rate case and it is subsequently replaced through a SIB then ratepayers will be paying twice for the same asset.

If replacing assets lowers operating costs (such as emergency break repairs) according to the Nessie Curve analysis then those lower operating costs should be reflected in the instant case.

Q. WHAT IS YOUR THIRD CONCERN?

A. My third concern is that the SIB implementation does not account for accumulated depreciation. Depreciation is charged each year in the plan of administration and as shown in response to Resorts data Request 1.1. However, accumulated depreciation does not appear. Accumulated depreciation reduces rate base as depreciation charges are accumulated from previous years. For example, the year-five SIB charge shown in response to Resorts Data Request 1.1 does not account for the accumulated depreciation from years one through four.

Q. WHAT IS YOUR FOURTH CONCERN?

A. My fourth concern refers to Accumulated Deferred Income Tax ("ADIT"). ADIT occurs when rate-making depreciation lives are longer than Internal Revenue Service tax lives. ADIT accrues because the shorter IRS life means that the utility pays less in actual income tax than the assumed income tax built into rates. We regularly account for ADIT as one of the number of deductions from net utility plant in service to arrive at rate base. It's a sort of rate-payer-sourced zero-cost source of utility capital. Any SIB "rate base" should properly account for ADIT as we would in a normal rate case.

Both the accumulated depreciation and ADIT problems would be normally accounted for in a general rate case, a good reason to deal with EWAZ's plant replacements in a general rate case rather than through a SIB.

Q. WHAT IS YOUR FIFTH CONCERN?

A. My fifth concern surrounds a double counting issue for Company labor expense and overhead. I found Company labor and an overhead factor loaded into the SIB costs in reviewing the engineering cost projections. For an example of such a project, turn to Exhibit JST-8 which is EWAZ's preliminary cost estimate for Paradise Valley Water District's project 2016-WM-3. The proposed SIB project cost includes (1) Company labor for field oversight and inspection, and (2) Company labor for project management. Company labor expenses would normally be factored into rates through Salaries Expense so the SIB project double counts that Company labor expense. Secondly, a general "Overhead rate on Labor and Capital" in the SIB cost estimates would double count "overhead" (perhaps Administrative and General Expense) which would also already factored into base rates. Seventeen percent of the SIB project 2016-WM-3 appears to include, and apparently double count, costs that would be factored into base rates.

Q. WHAT IS YOUR SIXTH CONCERN?

A. My sixth concern covers the transparency and predictability of rates. The instant case was filed March 10, 2014, with rates likely effective perhaps May or June 2015 as the scheduled developed. This long lead time has allowed ratepayers to adjust budgets and plan accordingly, including intervening in the case. The SIB, as an automatic adjustment clause, will give a minimum 30-day notice which will not allow ratepayers to budget accordingly. The purportedly smaller SIB rate increases with short review periods will also make intervention less cost-effective and less likely. The Resorts would prefer fully-litigated cases open to full and transparent review and analysis rather than smaller increments automatically added to bills with minimal notice.

Q. WHAT IS YOUR SEVENTH CONCERN?

A. My seventh concern is that the SIB will inarguably lower a utility's risk but the Company has not taken that lower risk into account. EWAZ proposes to load SIB costs entirely onto the monthly minimums (in itself a stable stream compared to volumetric rates). Furthermore, EWAZ proposes a true-up mechanism such that if SIB-budgeted revenues are not completely realized then any remaining balance is used to increase or decrease the next surcharge. Therefore, the SIB revenue stream is guaranteed through the true-up mechanism. To the extent that a revenue stream is guaranteed, it is not risky. The degree to which the SIB reduces a EWAZ's cost of equity depends on the relative size of the SIB income stream compared to overall net income. Picture an entire utility's net income guaranteed through a true-up mechanism such that any deficiency in net income is made up in the next period. Clearly, this revenue stream is riskless. Any SIB with a true-up mechanism should therefore earn a riskless rate of return in its calculation. This SIB calculation approach would be in lieu of a more cumbersome approach of estimating the lower risk the SIB has on the Company as a whole.

Q. WHAT IS YOUR EIGHTH CONCERN?

A. My eighth concern relates to notice Paradise Valley Water District customers had in this case. Notice is largely a legal matter but I'd like to offer my perspective on the language offered in the May 8, 2014 procedural order concerning Paradise Valley customers:

> "For its Paradise Valley Water District, EPCOR's application requests an annual revenue increase of approximately $950,774, or 9.9 percent, over current revenues. For average consumption (19,271 gallons per month) 5/8 x 3/4-inch meter residential customers of the Paradise Valley Water District, EPCOR's request would increase monthly rates by 9.68 percent, or by $5.06. If you would like to calculate the bill impact of the Company's proposal based on your consumption, please view its website at epcor.com or contact Customer Service at 1.800.383.0834."

The language did not mention the SIB.

Q. WHAT RELATIVE MAGNITUDE IS THE PROPOSED SIB FOR PARADISE VALLEY CUSTOMERS?

A. The base rate case requests a revenue requirement increase of $841,337 (10/14/2014 working papers) on present revenues of $9,648,251 or an 8.7% increase. Pursuant to Resorts Data Request No. 1.1, attached as Exhibit JST-9, the proposed SIB would increase present PVWD revenues by another $940,621 or another 9.75%. Paradise Valley customers have not been warned that a SIB might affect their rates nor that a SIB could be more than double the base revenue requirement increase.

Q. DID EWAZ NOTICE PVWD CUSTOMERS ABOUT THE SIB?

A. No, it did not according to the Affidavit of Notice filed in this case. The Affidavit is attached as Exhibit JST-10. The Affidavit's Exhibit A is a certificate of mailing and the actual Notice. The Notice refers exclusively to the Mohave Water system. The Notice says nothing about the rate case's impact on annual revenues or rates in the Paradise Valley Water District. I hope that the Affidavit is incomplete (simply missing the PVWD notice) but I have inquired from three PVWD customers and none of them recall receiving notice. I reviewed the informational section on one customer's bills around the time notice would have been made (May/June 2014) and I saw no information on the rate case.

Q. DID EWAZ OTHERWISE ALERT PVWD CUSTOMERS TO THE SIB THROUGH NEWSPAPER PUBLICATION?

A. No, it did not. Exhibit B to the Affidavit, attached as Exhibit JST-10, pages 18 to 19, are the proof of publication and the notice itself from the *Arizona Republic*, zones 7, 8 & 9. That published notice did not mention the SIB or its proposed 9.75% increase in PVWD revenue requirement.

Q. SHOULD THE COMMISSION ADOPT EWAZ's PROPOSED 10.7 PERCENT ROE FOR THE BASE RATE CASE OR FOR USE IN A SIB EARNINGS TEST?

A. No, the Commission should give little weight to EWAZ's testimony supporting the 10.7% requested ROE. That testimony, filed by Pauline Ahern, is fraught with conceptual and technical errors that result in a biased upwards estimate.

Let me offer a broad perspective on rates of return on risky stocks and required rates of return. Ms. Ahern's beta analysis shows that water utility stocks are significantly less risky than the average security so water utility stocks would require significantly less return than the average stock. Let us first get a perspective on what returns on the average stock might be. Jeremy Siegel's book *Stocks for the Long Run* reports that

> "The annual returns on U.S. stocks over various time periods are summarized in Table 5-1. Note the extraordinary stability of the real return on stocks over all major subperiods: 6.7 percent per year from 1802 to 1870, 6.6 percent from 1871 through 1925, and 6.4 percent per year from 1926 through 2012."

Ms. Ahern's own exhibits PMA-DT 2, Schedule 7, pages 9 and 10 report inflationary expectations of about 2.4 percent implying that the return on average risk stock going forward is about 9.2 percent. Therefore, a water utility would require significantly less than 9.2 percent.

U.S. interest rates as measured by the 10-year Constant Maturity Rate are near historical lows at about 1.8% and European Central Bank Chair Mario Draghi yesterday announced €1.1 trillion of quantitative easing designed to lower European interest rates. Some sovereign debt rates have actually been negative. Any investor who has a certificate of deposit or a bank account is familiar with the low-return environment we currently face. These broad indicators put EWAZ's 10.7% estimate far afield of current market conditions and realities even before adjusting for the lower risk of a water utility.

Q. WHAT DO YOU CONCLUDE FROM YOUR ANALYSIS AND TESTIMONY?

A. I conclude that EPCOR represented to the Arizona Corporation Commission that it was happy, willing and financially able to invest in Arizona-American Water properties when it requested approval to acquire those properties. The Commission conditioned the acquisition on EPCOR's maintaining quality service. EPCOR is a well-financed large enterprise with access to capital markets. EWAZ/EPCOR's situation does not merit an abnormal rate-making mechanism in the SIB. I recommend that the Commission deny the SIB in this case.

Witness Qualifications Statement

NAME: JOHN S. THORNTON, JR.

ADDRESS: 8008 N. Invergordon Rd., Paradise Valley, AZ 85253

EDUCATION: Master of Science Degree from the University of London, having completed the graduate program in economics at the London School of Economics and Political Science (1986)

Graduate Diploma in Economics from the London School of Economics (1985)

Bachelor of Arts degree, major in economics, from Willamette University (1984)

Certified Rate of Return Analyst, past member of the Society of Utility and Regulatory Financial Analysts

1998 passed level I of the CFA
1995 PaineWebber Seminar on Corporate Finance for the Utility Industry
1990 MIT/Harvard Public Disputes Resolution Program seminar
1990 National Association of Regulatory Utility Commissioners (NARUC) Advanced Regulatory Studies Program
1988 NARUC Annual Regulatory Studies Program

EXPERIENCE: **Thornton Financial Consulting - Principal, 2004 to present**

Guest lecturer at Michigan State's Institute of Public Utilities Advanced Regulatory Studies Program. Presented seminars on *Capital Structures and Credit Markets*, *Rate of Return*, and *Expert Witness Training*: 2009, 2010, 2011, 2012, 2013, 2014.

Rate of Return Workshop seminar leader, Florida Public Service Commission (2013).

Docket No. WS-02676A-12-0196 re: In the matter of the application of Rio Rico Utilities, Inc., an Arizona Corporation, for a determination of the fair value of its utility plants and property and for increases in its water and wastewater rates and charges for utility service based thereon. Represented Santa Cruz County and the Santa Cruz Unified School District. (2013)

Expert Witness Training seminar leader, Utah Department of Public Utilities (2011).

Expert Witness Training seminar leader, Ohio Consumer Council (2011).

Docket No. W-01303A-10-0448 re: In the matter of the application of Arizona-American Water Company for a determination of the current fair value of its utility plant and property and for increases in its rates and charges based thereon for utility service by its Agua Fria Water District, Havasu Water District, and Mohave Water

District. Represented the City of Surprise in evaluating potential rate and bill increases to its taxpayers who were also customers of the Agua Fria Water District. Helped negotiate approximate 90%+ expected bill increases down to 60% bill increases but spread out over three years. (2011)

Docket No. W-01303A-09-0343 re: In the matter of the application of Arizona-American Water Company for a determination of the current fair value of its utility plant and property and for increases in its rates and charges based thereon for utility service by its Anthem Water District and its Sun City water District. Represented and testified on behalf the Camelback Inn, the Sanctuary on Camelback Mountain and the Montelucia in the effect of rate consolidation and rate spread/rate design issues. (2010)

Docket No. W-01303A-08-0227 re: In the matter of the application of Arizona-American Water Company for approval of a rate increase for utility service by Agua Fria Water and Agua Fria Wastewater District, Anthem Water and Anthem Wastewater District, Havasu Water District, Mohave Water and Wastewater District, Paradise Valley Water District, Sun City West Water District and Tubac Water District. Represented the Camelback Inn and the Sanctuary on Camelback Mountain in analysis of rate proposals affecting resort users. (2009)

Docket No. W-01303A-08-0227 re: In the matter of the application of Arizona-American Water Company for approval of a rate increase for utility service by Agua Fria Water and Agua Fria Wastewater District, Anthem Water and Anthem Wastewater District, Havasu Water District, Mohave Water and Wastewater District, Paradise Valley Water District, Sun City West Water District and Tubac Water District. Analyzed case (2,000 pages of documents) and presented its effects on customers on Paradise Valley before the Paradise Valley Town Council. (2009)

Docket No. E-01933A-07-0402 re: In the matter of the application of Tucson Electric Power Company for the establishment of just and reasonable rates and charges designed to realize a reasonable rate of return on the fair value of its operations throughout the State of Arizona. Handicapped rate case outcomes for investors. Analysis provided to a number of Wall Street investment firms through The Gerson Lehrman Group. (2008)

Docket No. W-01303A-05-0405 re: In the matter of the application of Arizona - American Water Company Inc. for approval of a determination of the current fair value of its utility plant and property; and for increases in its rates and charges based thereon for utility service by its Paradise Valley Water District. Provided revenue requirement and rate spread/rate design analysis related to High Block Usage Surcharge and Public Safety Surcharge to resort customers and proposed alternative surcharges. Forecasted seasonal resort consumption and bills and documented conservation efforts. (2007)

Docket No. W-01445A-06-0200 et alia re: Arizona Water Company vs. Global Water Resources, Inc. Filed testimony on behalf of Arizona Water Company. Analyzed Global Water Resources' financial structure, affiliated interest issues, and use of Infrastructure Coordination and Financing Agreements. (2007)

Docket No. 06-11022 re: application of Nevada Power Co. for authority to increase its annual revenue requirement for general rates charged to all classes of electric customers and for relief properly related thereto: Rate of return witness for intervenor MGM-Mirage. (2007)

Docket No. E-01345A-05-0816 re: In the matter of the application of Arizona Public Service Company for a hearing to determine the fair value of the utility property of the company for ratemaking purposes, to fix a just and reasonable rate of return thereon, to approve rate schedules designed to develop such return, and to amend Decision No. 67744. Provided analysis and commentary to Wall Street hedge fund clients on ACC decision process and procedures and likely outcome of the ACC vote. (2007)

Docket No. E-01933A-05-0650 re: application of Tucson Electric Power Company to amend Arizona Corporation Commission (ACC) Decision No. 62103. Provided analysis and commentary to GLG clients on ACC decision process and procedures and likely outcome of the ACC vote. (2005-2006)

Case No. 200500151 re: application of Oklahoma Gas and Electric Company for authority to increase its electric rates. Rate-of-return witness for intervenor Oklahoma Industrial Energy Consumers. (2005)

Docket No. E-01933A-04-0408 re: in the matter of the filing of general rate case information of Tucson Electric Power Co. pursuant to Decision No. 62103. Provided analysis on process & procedure, likely positions to be taken by parties, and revenue requirement analysis after impacts of potential or likely disallowances. Analysis provided to a number of Wall Street investment firms through The Gerson Lehrman Group. (2004-2005)

Docket No. E-04230A-03-0933 re: in the matter of the reorganization of UniSource Energy Corporation. Analyzed proposed acquisition of UniSource by KKR through Saguaro Acquisition Corp. Provided analysis and commentary on Arizona Corporation Commission (ACC) decision process and procedures and likely outcome of the ACC vote. Analysis provided to a number of Wall Street investment firms through The Gerson Lehrman Group. (2004)

Docket No. UM 1121 re: application of Oregon Electric Utility Co., LLC, et alia for authority to acquire Portland General Electric Co. Analyzed the proposed acquisition of Portland General Electric Co. by the Texas Pacific Group from the Enron bankruptcy estate on behalf of the Industrial Customers of Northwest Utilities. (2004)

Case Nos. AVU-E-04-01 and AVU-G-04-01 re: application of Avista Corporation for authority to increase its electric rates. Rate-of-return witness for intervenor Potlatch Corporation. (2004)

Docket Nos. 03-10001 and 03-10002 re: application of Nevada Power Co. for authority to increase its annual revenue requirement for general rates charged to all classes of electric customers and for relief properly related thereto: Rate of return witness for intervenor MGM-Mirage. (2004)

Docket Nos. 01-10001 and 01-10002 re: application of Nevada Power Co. for authority to increase its annual revenue requirement for general rates charged to all classes of electric customers and for relief properly related thereto: Rate of return witness for intervenor MGM-Mirage. (2002)

Docket No. UE 010395 re: application of Avista Corporation d/b/a Avista Utilities request for recovery of power costs through the deferral mechanism. Corporate finance witness for the Industrial Customers of Northwest Utilities. (2001)

Docket Nos. 99-4001 and 99-4005 re: Sierra Pacific Power Co. compliance filing Docket No. 99-4001 and Nevada Power Co. compliance filing Docket No. 99-4005. Rate of return witness for intervenors Mirage Resorts, Inc., Park Place Entertainment Corp., and the Mandalay Group. (2000)

Application Nos. 98-05-019, 021, & 024. Presented beta adjustment and distribution risk discount testimony on behalf of the Division of Ratepayer Advocates of the California Public Utility Commission. (1998)

Speaker—US Agency for International Development's Conference on Private Sector Participation in the Colombian Power Sector. (1991)

Chief, Financial & Regulatory Analysis Section, Utilities Division, Arizona Corporation Commission, 2001 to 2004

Testified or provided reports in the following dockets:

•W-01656A-98-0577 & WS-02334A-98-0577—Sun City Water Co. and Sun City West Utilities Co.'s request for approval of the Central Arizona Project water utilization plan. Testimony on the effect of the Groundwater Savings Project on Sun City Water Co. and Sun City West Utilities Company's revenue requirement.

•E-01345A-02-0707—Arizona Public Service Co.'s application for authority to incur $500,000,000 of debt and to acquire a financial interest in an affiliate by lending $500,000,000 to Pinnacle West Capital Corp. or Pinnacle West Energy Corp. Alternatively, APS' application to guarantee $500,000,000 of PWCC or PWEC debt. Testimony on the appropriateness of the affiliate transactions and seven conditions under which the loan could be made.

•E-01345A-02-0840—Arizona Public Service Co.'s application for authority to loan $125,000,000 of debt to an affiliate. (Staff report regarding four conditions under which the affiliate transaction would be appropriate.)

•E-01345A-02-0403—Arizona Public Service Co.'s application for approval of adjustment mechanisms. Testimony on a power supply adjustor earnings test.

•E-01032-00-0751, G-01032A-02-0598, E-01933A-02-0914, E-1032C-02-0914, G-01032A-02-0914—Consolidated dockets of UniSource, Citizens Communications Arizona Gas Division (AGD), & Citizens Communications Arizona Electric Division (AED); general rate case for the AGD, PPFAC adjustment for AED, and sale of AGD and AED to UniSource. (Staff report section on analysis of the financing of the sale and transfer of utility assets.)

•W-01445A-02-0619—Arizona Water Company's application for rates and charges for eight systems. Testimony on implementing lifeline rates and using marginal cost pricing in rate design.

Senior Analyst with the Public Utility Commission of Oregon, 1988-2001

Testified or provided rate of return analyses in the following dockets:

•UE 102—PGE disaggregation/general rate case (chief rate of return witness).

•UE 94—PacifiCorp general rate case (chief rate of return witness).

•UE 93 (UM 592, UM 694)—Portland General Electric Co. excess power cost/Coyote/BPA filing.

•UE 92—Idaho Power general rate case.

•UE 88—Portland General Electric Co. general rate case (chief rate of return witness).

•UE 85/UM 529—Portland General Electric Co. Earnings test for Trojan Shutdown Cost Adjustment Account.

•UE 84—Idaho Power Co. deferred account earnings benchmark.

•UE 82/UM 445—Trojan Outage Cost Adjustment Account earnings test benchmark.

•UE79—Portland General Electric Co. general rate case (chief rate of return witness).

•UG 104/UG 105/UG 106—LDC deferred account earnings test benchmarks.

•UG88—Cascade Natural Gas Co. general rate case (chief rate of return witness).

•UG81—Northwest Natural Gas Co. general rate case (chief rate of return witness).

•UT 125—US WEST Communications, Inc general rate case (chief rate of return witness).

•UT 113—GTE Northwest general rate case (chief rate of return witness).

•UT101—United Telephone Co. of the Northwest general rate case (chief rate of return witness).

•UT85—US WEST general rate case (capital structure and debt cost witness).

•RP95-409—Northwest Pipeline general rate case (FERC).

•RP93-5—Northwest Pipeline general rate case (FERC).

Responsibilities also included the following:

•Analyses and recommendations in over fifty financing dockets involving instruments such as first mortgage bonds, medium-term notes, debentures, preferred stock, QUIDS, TOPRs, common equity, shareholder rights plans (poison pills), and derivative securities including caps, collars, and floors.

•UM 903— Northwest Natural, cost of capital analysis for purchased gas adjustment mechanism.

•UM 21—Cost of capital analysis for avoided cost calculations.

•UM 351—Cost of capital analysis for long-run incremental-cost studies.

•UM 573—Analysis of purchased power on the utility's cost of capital.

•UM 773—Cost of capital analysis for long-run incremental-cost studies.

•UM 814—Enron's application to acquire Portland General Electric Co.

•UM 918—Scottish Power plc's application to acquire PacifiCorp.

•UM 967—Sierra Pacific Resource's application to acquire Portland General Electric Co.

ARIZONA WATER COMPANY
Docket No. W-01445A-11-XXXX
Balance Sheet
As of December 31, 2010

Line No.		[A] TOTAL COMPANY	[B] EASTERN GROUP[1]	[C] SUPERSTITION
1	ASSETS			
2				
3	UTILITY PLANT			
4	Gross Utility Plant	$ 396,423,070		
5	Less: Accumulated Depreciation	95,226,394		
6	Net Utility Plant	$ 301,196,676		
7				
8	CURRENT ASSETS			
9	Cash on Hand and in Banks	10,327,173		
10	Investments and Special Deposits	2,703		
11	Accounts Receivable	3,442,787		
12	Materials & Supplies	301,494		
13	Other	454,306		
14	Total Current Assets	$ 14,528,463		
15				
16	DEFERRED DEBITS	$ 7,248,596		
17				
18	TOTAL ASSETS	$ 322,973,735		
19				
20				
21	LIABILITIES			
22				
23	CAPITALIZATION			
24	Common Stock	2,700,000		
25	Capital Surplus	19,309,347		
26	Retained Earnings	55,965,991		
27	Common Stockholders Equity	$ 77,975,338	$ 31,080,969	$ 24,647,208
28	Long-Term Debt	75,000,000	29,895,000	23,706,735
29	Total Capitalization	$ 152,975,338	$ 60,975,969	$ 48,353,943
30				
31	CURRENT LIABILITIES			
32	Notes Payable	-		
33	Accounts Payable	5,918,922		
34	Accrued Expenses	3,668,998		
35	Other	-		
36	Total Current Liabilities	$ 9,587,920		
37				
38	DEFERRED CREDITS			
39	Advances for Construction	77,869,922		
40	Contributions in Aid of Construction	51,183,775		
41	Deferred Income Taxes	25,368,073		
42	Other	5,988,707		
43	Total Deferred Credits	$ 160,410,477		
44				
45	TOTAL CAPITAL AND LIABILITIES	$ 322,973,735		
46				
47				
48				
49				
50				
51				
52				
53				
54				
55	[1]Allocated based on percentage of rate base to total company rate base.			

Supporting Schedules:

N:\2011_Rate_Case\Work Papers\DSIC ACRM Support\DSIC Schedules EG.xlsx\1-Balance Sht
Processing Date: 8/3/2011 2:28 PM

Recap Schedules:

Consolidated Financial Statements of

EPCOR UTILITIES INC.

Years ended December 31, 2013 and 2012

Management's responsibility for financial reporting

The preparation and presentation of the accompanying consolidated financial statements of EPCOR Utilities Inc. are the responsibility of management and the consolidated financial statements have been approved by the Board of Directors. In management's opinion, the consolidated financial statements have been prepared within reasonable limits of materiality in accordance with International Financial Reporting Standards. The preparation of financial statements necessarily requires judgment and estimation when events affecting the current year depend on determinations to be made in the future. Management has exercised careful judgment where estimates were required, and these consolidated financial statements reflect all information available to March 12, 2014. Financial information presented elsewhere is consistent with that in the consolidated financial statements.

To discharge its responsibility for financial reporting, management maintains systems of internal controls designed to provide reasonable assurance that the Company's assets are safeguarded, that transactions are properly authorized and that reliable financial information is relevant, accurate and available on a timely basis. The internal control systems are monitored by management, and evaluated by an internal audit function that regularly reports its findings to management and the Audit Committee of the Board of Directors.

The consolidated financial statements have been audited by KPMG LLP, the Company's external auditors. The external auditors are responsible for auditing the consolidated financial statements and expressing their opinion on the fairness of the financial statements in accordance with International Financial Reporting Standards. The auditors' report outlines the scope of their audit and states their opinion.

The Board of Directors, through the Audit Committee, is responsible for ensuring management fulfills its responsibilities for financial reporting and internal controls. The Audit Committee, which is comprised of independent directors, meets regularly with management, the internal auditors and the external auditors to satisfy itself that each group is discharging its responsibilities with respect to internal controls and financial reporting. The Audit Committee reviews the consolidated financial statements and management's discussion and analysis and recommends their approval to the Board of Directors. The external auditors have full and open access to the Audit Committee, with and without the presence of management. The Audit Committee is also responsible for reviewing and recommending the annual appointment of the external auditors and approving the annual external audit plan.

On behalf of management,

David Stevens
President and Chief Executive Officer

Guy Bridgeman
Senior Vice President and Chief Financial Officer

March 12, 2014

EPCOR UTILITIES INC.

Consolidated Financial Statements

Years ended December 31, 2013 and 2012

KPMG

KPMG LLP
Chartered Accountants
10125 – 102 Street
Edmonton AB T5J 3V8
Canada

Telephone (780) 429-7300
Fax (780) 429-7379
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Shareholder of EPCOR Utilities Inc.

We have audited the accompanying financial statements of EPCOR Utilities Inc., which comprise the consolidated statements of financial position as at December 31, 2013 and December 31, 2012, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of EPCOR Utilities Inc. as at December 31, 2013 and December 31, 2012, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Accountants
March 12, 2014
Edmonton, Canada

EPCOR UTILITIES INC.

Consolidated Statements of Comprehensive Income
(In millions of Canadian dollars)

Years ended December 31, 2013 and 2012

	2013	2012
Revenues and other income:		
Revenues (note 5)	$ 1,929	$ 1,931
Other income (note 5)	26	28
	1,955	1,959
Operating expenses:		
Electricity purchases and system access fees	950	1,006
Other raw materials and operating charges	144	145
Staff costs and employee benefits expenses (notes 3(b) and 6)	280	280
Depreciation and amortization (note 6)	145	133
Franchise fees and property taxes	89	84
Other administrative expenses (note 6)	58	57
Foreign exchange loss (gain)	(1)	2
	1,665	1,707
Operating income	290	252
Finance expenses (note 7)	(107)	(116)
Equity share of income of Capital Power (note 16)	66	41
Loss on sale of a portion of investment in Capital Power (note 16)	(16)	(36)
Impairment of investment in Capital Power (note 8)	(43)	(124)
Income before income taxes	190	17
Income tax recovery (expense) (note 9)	(15)	2
Net income for the year – all attributable to the Owner of the Company	175	19
Other comprehensive income (loss):		
Item that will not be reclassified to net income:		
Re-measurements of net defined benefit plans[1] (note 3(b))	3	(7)
Items that may subsequently be reclassified to net income:		
Equity share of other comprehensive income (loss) of Capital Power[2] (note 16)	(10)	11
Amounts realized in net income on sale of a portion of investment in Capital Power[3] (note 16)	(3)	(2)
Unrealized loss on available-for-sale financial assets[4]	(1)	(2)
Unrealized gain (loss) on foreign currency translation[5]	17	(1)
	3	6
	6	(1)
Comprehensive income for the year - all attributable to the Owner of the Company	$ 181	$ 18

[1] For the year ended December 31, 2013, net of income tax expense of $2 million (2012 – income tax recovery of $1 million).

[2] For the year ended December 31, 2013, net of income tax recovery of $3 million (2012 – income tax expense of $3 million).

[3] For the year ended December 31, 2013, net of reclassification of income tax recoveries of $1 million (2012 – nil).

[4] For the year ended December 31, 2013, net of income tax recovery of nil (2012 – $1 million).

[5] For the year ended December 31, 2013, net of income tax expense of nil (2012 – nil).

The accompanying notes are an integral part of these consolidated financial statements

EPCOR UTILITIES INC.

Consolidated Statements of Financial Position
(In millions of Canadian dollars)

December 31, 2013 and 2012

	2013	2012
ASSETS		
Current assets:		
Cash and cash equivalents (note 10)	$ 130	$ 232
Trade and other receivables (note 11)	360	359
Inventories (note 12)	14	13
	504	604
Non-current assets:		
Finance lease receivables (note 13)	122	125
Other financial assets (note 14)	367	383
Deferred tax assets (note 15)	53	52
Investment in Capital Power (note 16)	385	621
Property, plant and equipment (note 17)	3,776	3,417
Intangible assets and goodwill (note 18)	240	222
	4,943	4,820
TOTAL ASSETS	$ 5,447	$ 5,424
LIABILITIES AND EQUITY		
Current liabilities:		
Trade and other payables (note 19)	$ 245	$ 303
Loans and borrowings (note 20)	15	14
Deferred revenue (note 21)	23	21
Provisions (notes 3(b) and 22)	29	29
Derivatives (note 23)	1	2
Other liabilities (note 24)	28	31
	341	400
Non-current liabilities:		
Loans and borrowings (note 20)	1,957	1,956
Deferred revenue (note 21)	783	741
Deferred tax liabilities (note 15)	12	4
Provisions (notes 3(b) and 22)	80	83
Other liabilities (note 24)	12	18
	2,844	2,802
Total liabilities	3,185	3,202
Equity attributable to the Owner of the Company:		
Share capital (note 25)	24	24
Accumulated other comprehensive income (notes 3(b) and 26)	13	7
Retained earnings (note 3(b))	2,225	2,191
Total equity	2,262	2,222
TOTAL LIABILITIES AND EQUITY	$ 5,447	$ 5,424

Commitments and contingencies (note 32)

The accompanying notes are an integral part of these consolidated financial statements

EPCOR UTILITIES INC.

Consolidated Statements of Changes in Equity
(In millions of Canadian dollars)

December 31, 2013 and 2012

		Accumulated other comprehensive income (loss)						
	Share capital (note 25)	Cash flow hedges (note 26)	Available-for-sale financial assets (note 26)	Cumulative translation account (note 26)	Employee benefits account (notes 3(b) and 26)	Investment in Capital Power (note 26)	Retained earnings (note 3(b))	Equity attributable to the Owner of the Company
Equity at December 31, 2012	$ 24	$ (7)	$ 2	$ -	$ (7)	$ 19	$ 2,191	$ 2,222
Net income for the year	-	-	-	-	-	-	175	175
Other comprehensive income (loss):								
Re-measurements of net defined benefit plans	-	-	-	-	3	-	-	3
Equity share of other comprehensive loss of Capital Power	-	-	-	-	-	(10)	-	(10)
Amounts realized in net income on sale of a portion of investment in Capital Power	-	2	-	-	-	(5)	-	(3)
Unrealized loss on available-for-sale financial assets	-	-	(1)	-	-	-	-	(1)
Unrealized gain on foreign subsidiary	-	-	-	17	-	-	-	17
Total comprehensive income (loss)	-	2	(1)	17	3	(15)	175	181
Dividends	-	-	-	-	-	-	(141)	(141)
Equity at December 31, 2013	$ 24	$ (5)	$ 1	$ 17	$ (4)	$ 4	$ 2,225	$ 2,262

The accompanying notes are an integral part of these consolidated financial statements

EPCOR UTILITIES INC.

Consolidated Statements of Changes in Equity
(In millions of Canadian dollars)

December 31, 2013 and 2012

		Accumulated other comprehensive income (loss)						
	Share capital (note 25)	Cash flow hedges (note 26)	Available-for-sale financial assets (note 26)	Cumulative translation account (note 26)	Employee benefits account (notes 3(b) and 26)	Investment in Capital Power (note 26)	Retained earnings (note 3(b))	Equity attributable to the Owner of the Company
Equity at December 31, 2011	$ 24	$ (9)	$ 4	$ 1	$ -	$ 12	$ 2,313	$ 2,345
Net income for the year	-	-	-	-	-	-	19	19
Other comprehensive income (loss):								
Re-measurements of net defined benefit plans	-	-	-	-	(7)	-	-	(7)
Equity share of other comprehensive income of Capital Power	-	-	-	-	-	11	-	11
Amounts realized in net income on sale of a portion of investment in Capital Power	-	2	-	-	-	(4)	-	(2)
Unrealized loss on available-for-sale financial assets	-	-	(2)	-	-	-	-	(2)
Unrealized loss on foreign subsidiary	-	-	-	(1)	-	-	-	(1)
Total comprehensive income (loss)	-	2	(2)	(1)	(7)	7	19	18
Dividends	-	-	-	-	-	-	(141)	(141)
Equity at December 31, 2012	$ 24	$ (7)	$ 2	$ -	$ (7)	$ 19	$ 2,191	$ 2,222

The accompanying notes are an integral part of these consolidated financial statements

EPCOR UTILITIES INC.

Consolidated Statements of Cash Flows
(In millions of Canadian dollars)

Years ended December 31, 2013 and 2012

	2013	2012
Cash flows from (used in) operating activities:		
Net income for the year	$ 175	$ 19
Reconciliation of net income for the year to cash from (used in) operating activities:		
Interest paid	(108)	(115)
Finance expense (note 7)	107	116
Income taxes paid	(7)	(4)
Income tax expense (recovery) (note 9)	15	(2)
Depreciation and amortization (note 6)	145	133
Contributions received	29	22
Deferred revenue recognized (note 21)	(20)	(20)
Fair value change on derivative instruments (note 23)	(1)	13
Loss on sale of a portion of investment in Capital Power (note 16)	16	36
Equity share of income from Capital Power (note 16)	(66)	(41)
Impairment of investment in Capital Power (note 8)	43	124
Foreign exchange loss (gain)	(1)	2
Other	-	(9)
Funds from operations	327	274
Change in non-cash operating working capital (note 27)	(66)	75
Net cash flows from operating activities	261	349
Cash flows from (used in) investing activities:		
Acquisition or construction of property, plant and equipment and other assets	(444)	(360)
Business acquisition, net of acquired cash	(4)	(460)
Change in non-cash investing working capital (note 27)	7	(21)
Proceeds on disposal of property, plant and equipment	2	7
Payment of Gold Bar transfer fees	(10)	(12)
Payments received on long-term receivables	14	25
Proceeds on sale of a portion of investment in Capital Power	194	221
Distributions received from Capital Power	36	42
Net cash flows used in investing activities	(205)	(558)
Cash flows from (used in) financing activities:		
Proceeds from issuance of long-term loans and borrowings (note 20)	-	300
Repayment of long-term loans and borrowings	(14)	(35)
Provisions	(3)	1
Common share dividends paid	(141)	(141)
Net cash flows from (used in) financing activities	(158)	125
Decrease in cash and cash equivalents	(102)	(84)
Cash and cash equivalents, beginning of year	232	316
Cash and cash equivalents, end of year	$ 130	$ 232

The accompanying notes are an integral part of these consolidated financial statements

1. Nature of operations

EPCOR Utilities Inc. (the Company or EPCOR) builds, owns and operates electrical transmission and distribution networks, water and wastewater treatment facilities and infrastructure, and provides electricity and water services and products to residential and commercial customers.

The Company operates in Canada and the United States (U.S.) with its registered head office located at 2000, 10423 - 101 Street NW, Edmonton, Alberta, Canada, T5H 0E8.

The common shares of EPCOR are owned by The City of Edmonton (the City). The Company was established by Edmonton City Council under City Bylaw 11071.

2. Basis of presentation

(a) Statement of compliance

These consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). These consolidated financial statements were approved and authorized for issue by the Board of Directors on March 12, 2014.

(b) Basis of measurement

The Company's consolidated financial statements are prepared on the historical cost basis, except for its beneficial interest in the sinking fund held with the City and its derivative financial instruments, which are measured at fair value.

(c) Additional IFRS financial measure

The Company uses "operating income" as an additional IFRS financial measure. In management's opinion, the measure is a more effective indicator of the Company's and reportable business segments' operating performance than net income because it only includes items directly related to or resulting from management's operating decisions and actions.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements unless otherwise indicated.

(a) Basis of consolidation

These consolidated financial statements include the accounts of EPCOR, its wholly-owned subsidiaries and joint arrangements at December 31, 2013. Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from the performance of the entity and has the ability to affect those returns through its control over the entity. Subsidiaries are fully consolidated from the date on which EPCOR obtains control, and continue to be consolidated until the date that such control ceases to exist. All intercompany balances and transactions have been eliminated on consolidation. Unrealized gains arising from transactions with equity-accounted associates are eliminated against the investment to the extent of the Company's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment. The financial statements of the subsidiaries are prepared for the same reporting period as EPCOR, using consistent accounting policies.

(b) Changes in significant accounting policies

The Company has adopted the following accounting policies as a result of the new and amended accounting standards relevant to EPCOR effective January 1, 2013:

IFRS 7 – Financial Instruments – Disclosures – Offsetting Financial Assets and Liabilities (Amendment)
IFRS 10 – Consolidated Financial Statements
IFRS 11 – Joint Arrangements (IFRS 11)
IFRS 12 – Disclosure of Interests in Other Entities (IFRS 12)
IFRS 13 – Fair Value Measurement
IAS 1 – Presentation of Items of Other Comprehensive Income (Amendment)
IAS 19 – Employee Benefits (Amendment) (IAS 19)
IAS 28 – Investments in Associates and Joint Ventures (Amendment)
IAS 34 – Interim Financial Reporting (Amendment)

Of the new and amended accounting standards which became effective January 1, 2013, the following had an impact on these consolidated financial statements as a result of the accounting policies adopted effective January 1, 2013:

IFRS 11 was issued to replace IAS 31 – Interest in Joint Ventures. The new standard classifies joint arrangements into two types – joint operations and joint ventures. The standard defines a joint operation as a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement and are required to recognize assets, liabilities, revenues and expenses in proportion to its interest in the joint arrangement. The standard defines a joint venture as a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement and are required to recognize and account for the investment in the joint arrangement using the equity method. The Company applied the new standard effective January 1, 2013 and classified its interest in the Heartland Transmission project as a joint operation. As a result, the consolidated financial statements include EPCOR's relative share of the joint operation's assets, liabilities, revenue and expenses with items of a similar nature on a line-by-line basis. Unrealized gains and losses on transactions between EPCOR and the joint operation are eliminated to the extent of EPCOR's interest in the joint operation and unrealized losses are eliminated only to the extent there is no evidence of impairment.

IFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. As a result, the Company has expanded its disclosures about its interest in subsidiaries, joint operation and associate.

IAS 19 was amended to: (a) eliminate the option to defer the recognition of actuarial gains and losses associated with net defined benefit liabilities (assets); (b) require a new method of calculating finance costs on defined benefit plans whereby a single discount rate is applied to the net pension assets or obligations; and (c) enhance the disclosure requirements to provide better information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in these plans. In accordance with the transitional provisions of revised IAS 19, the Company applied the revised standard commencing January 1, 2013 with retrospective application from January 1, 2012. The Company recognized in retained earnings, $1 million of unrecognized actuarial gains related to 2012 and $6 million of unrecognized actuarial losses related to years prior to 2012, and in accumulated other comprehensive income, $8 million ($7 million net of tax) of re-measurement effects related to years prior to 2013. In addition, the Company increased non-current provisions by $13 million.

(c) Business combinations and goodwill

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of acquisition in exchange for control of the acquired business. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are recognized in net income. Transaction costs that the Company incurs in connection with a business combination, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the date of acquisition. Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured and settlement is accounted for within equity. Subsequent changes in the fair value of the contingent consideration are recognized in net income.

Goodwill is initially recorded at the consideration paid for at acquisition less the fair value of the net assets of the consolidated business acquired. Subsequently, goodwill is measured at cost less accumulated impairment losses, if any. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash generating unit to which goodwill relates. Where the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognized.

(d) Revenue recognition

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Company for the provision of goods or services and where the revenue can be reliably measured. Revenues are measured at the fair value of the consideration received or to be received, excluding discounts, rebates and sales taxes or duty.

Certain water services contracts contain multiple-deliverables arrangements. Each deliverable that is considered to be a separate unit of account is accounted for individually. Significant judgment is required to determine an appropriate allocation of the total contract value to each unit of account based on the relative fair values of each unit. If the fair value of the delivered item is not reliably measurable, then revenue is allocated based on the difference between the total arrangement consideration and the fair value of the undelivered units of account. The primary identifiable deliverables under such contracts are plant construction and project upgrades and expansions, financing or leasing of upgrades, facilities operations and facilities maintenance.

The Company's principal sources of revenue and recognition of these revenues for financial statement purposes are as follows:

Sale of goods

Revenues from sales of electricity and water are recognized upon delivery and provision of services. These revenues include an estimate of the value of electricity and water consumed by customers billed subsequent to the reporting period.

Revenues from the sale of other goods are recognized when the products have been delivered and collectability is reasonably assured.

Provision of services

Revenues from the provision of electricity distribution and transmission services and wastewater treatment services are recognized over the period in which the service is performed and collectability is reasonably assured.

Construction contracts

Contract revenue from the construction of water and wastewater treatment plants and other project upgrades and expansions provided to customers is recognized in profit or loss on the percentage of completion basis when the projected final cost of a construction contract can be reliably estimated. Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be reliably measured. Percentage of completion is estimated based on an assessment of progress towards the completion of contract tasks. These estimates may result in the recognition of unbilled receivables when the revenues are earned prior to billing customers. If progress billings exceed costs incurred plus recognized profits, then the difference is presented as deferred revenue in the statement of financial position. Contract expenses are recognized as incurred unless they create an asset related to future contract activity.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable.

Provisions for estimated losses on uncompleted contracts are made for the full amount of the projected loss in the period in which the losses are identified. Revenues and costs related to variations are included in the total estimated contract revenue and expenses when it is probable that the customer will approve the variation and the amount of revenue arising from the variation, and the amount of revenue can be reliably measured.

Revenues earned under finance leases

Finance income earned from arrangements where the Company leases water and wastewater assets to customers, are accounted for as finance leases, as described in note 3(h).

Interest income

Revenue from the financing of project upgrades and expansions is recognized over the term of each contract using the effective interest method based on the fair value of the loan calculated at inception for each contract.

Interest income related to the loans receivable from Capital Power are recognized over the terms of the loans based on the interest rate applicable to each loan.

(e) Income taxes

Under the Income Tax Act (Canada) (ITA), a municipally owned corporation is subject to income tax on its taxable income if the income from activities for any relevant period that was earned outside the geographical boundaries of the municipality exceeds 10% of the corporation's total income for that period. As a result of these and other provisions, certain Canadian subsidiaries of the Company are taxable under the ITA and provincial income tax acts. The U.S. subsidiaries are subject to income taxes pursuant to U.S. federal and state income tax laws.

Current income taxes for the current or prior periods are measured at the amount expected to be recovered from or payable to the taxation authorities based on the tax rates that are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are recognized for the deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted rates of tax expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the date of enactment or substantive enactment. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in associates and interests in joint arrangements except where the Company is able to control the timing of the reversal of the temporary differences, and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with investments in subsidiaries and interests in joint ventures are only recognized to the extent that the temporary difference will reverse in the foreseeable future and the Company judges that it is probable that there will be sufficient taxable income against which to utilize the benefits of the temporary differences. Deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill arising from a business combination or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable income nor accounting income.

Current and deferred taxes are recognized in profit or loss, except to the extent that they relate to items recognized directly in equity or in other comprehensive income.

(f) Cash and cash equivalents

Cash and cash equivalents include cash and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(g) Inventories

Small parts and other consumables, the majority of which are consumed by the Company in the provision of its goods and services, are valued at the lower of cost and net realizable value. Cost includes the purchase price, transportation costs and other costs to bring the inventories to their present location and condition. The costs of inventory items that are interchangeable are determined on an average cost basis. For inventory items that are not interchangeable, cost is assigned using specific identification of their individual costs. Previous write downs of inventories from cost to net realizable value can be fully or partially reversed if supported by economic circumstances. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(h) Lease arrangements

At the inception of an arrangement entered into for the use of property, plant and equipment (PP&E), the Company determines whether such an arrangement is, or contains, a lease. A specific asset is the subject of a lease if fulfillment of the arrangement is dependent on the use of the specific asset and the arrangement conveys a right to use the asset. An arrangement conveys the right to use the asset if the right to control the use of the underlying asset is conveyed. Where it is determined that the arrangement contains a lease, the Company classifies the lease as either a finance or operating lease dependent on whether substantially all the risks or rewards of ownership of the asset have been transferred.

Where the Company is the lessor, finance income related to leases or arrangements accounted for as finance leases is recognized in a manner that produces a constant rate of return on the net investment in the lease. The net investment in the lease is the aggregate of net minimum lease payments and unearned finance income discounted at the interest rate implicit in the lease. Unearned finance income is deferred and recognized in net income over the lease term.

Where the Company is the lessee, leases or other arrangements that transfer substantially all of the benefits and risks of ownership of property to the Company are classified as finance leases. Other arrangements that are determined to contain a lease are classified as operating leases. Rental payments under arrangements classified as operating leases are expensed on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

(i) Investment in Capital Power

In these consolidated financial statements, Capital Power refers to Capital Power Corporation and its subsidiaries, including Capital Power L.P., except where otherwise noted or the context indicates otherwise.

The Company holds 18.8 million exchangeable limited partnership units of Capital Power L.P. (exchangeable for common shares of Capital Power Corporation on a one-for-one basis) which represents 19% of Capital Power. Each exchangeable limited partnership unit is accompanied by a special voting share in Capital Power Corporation which entitles the holder to a vote at Capital Power Corporation shareholder meetings, subject to the restriction that such special voting shares must at all times represent not more than 49% of the votes attached to all Capital Power Corporation common shares and special voting shares, taken together. The special voting shares also entitle EPCOR, voting separately as a class, to nominate and elect a maximum of four out of the twelve directors of Capital Power Corporation. The number of Capital Power directors which EPCOR is entitled to nominate reduces, in stages, as EPCOR's percentage interest in Capital Power declines.

As a result, the key judgment in determining the appropriate accounting treatment for the investment in Capital Power is that EPCOR exercises significant influence over Capital Power but does not control Capital Power's operations as it does not have the power to direct the activities of Capital Power. Accordingly, EPCOR uses the equity method to account for its investment in Capital Power.

The investment in Capital Power was recognized initially at cost. The consolidated financial statements include the Company's equity share of the income and expenses and equity movements of Capital Power, after adjustments to align its accounting policies with those of the Company, from the date that significant influence exists until the date that significant influence ceases.

The Company applies judgment at each reporting date to determine whether there is objective evidence that the equity investment in Capital Power is impaired. An impairment will be recorded when the carrying amount of its investment in Capital Power exceeds its estimated recoverable amount. The recoverable amount is the higher of the investment's fair value less costs to sell the investment, and its value in use. The fair value of the investment is based on the market price of Capital Power Corporation shares (CPX) traded on the Toronto Stock Exchange. The value in use of an asset is the present value of estimated future cash flows, applying a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(j) Property, plant and equipment

PP&E are recorded at cost, net of accumulated depreciation and accumulated impairment losses, if any.

Cost includes contracted services, materials, direct labor, directly attributable overhead costs, borrowing costs on qualifying assets and decommissioning costs. Where parts of an item of PP&E have different estimated economic useful lives, they are accounted for as separate items (major components) of PP&E.

The cost of major inspections and maintenance is recognized in the carrying amount of the item if the asset recognition criteria are satisfied. The carrying amount of a replaced part is derecognized. The costs of day-to-day servicing are expensed as incurred.

Gains and losses on the disposal of PP&E are determined as the difference between the net disposal proceeds and the carrying amount at the date of disposal. The gains or losses are included within depreciation and amortization.

Depreciation of cost less residual value is charged on a straight-line basis over the estimated economic useful lives of items of each depreciable component of PP&E, from the date they are available for use, as this most closely reflects the expected usage of the assets. Land and construction work in progress are not depreciated. Estimating the appropriate economic useful lives of assets requires significant judgment and is generally based on estimates of life characteristics of similar assets. The estimated economic useful lives, methods of depreciation and residual values are reviewed annually with any changes adopted on a prospective basis.

The ranges of estimated economic useful lives used are as follows:

Water and wastewater treatment and distribution	3 – 90 years
Electricity transmission and distribution	4 – 65 years
Retail systems and equipment	4 – 20 years
Corporate information systems, equipment	2 – 20 years
Leasehold improvements	8 – 25 years

(k) Capitalized borrowing costs

The Company capitalizes interest during construction of a qualifying asset using the weighted average cost of debt incurred on the Company's external borrowings or specific borrowings used to finance qualifying assets. Qualifying assets are considered to be those that take a substantial period of time to construct.

(l) Intangible assets

Intangible assets with definite lives are stated at cost, net of accumulated amortization and impairment losses, if any. The cost of a group of intangible assets acquired in a transaction, including those acquired in a business combination that meet the specified criteria for recognition apart from goodwill, is allocated to the individual assets acquired based on their relative fair value.

Customer rights represent the costs to acquire the rights to provide electricity services to particular customer groups for a finite period of time. Customer rights are recorded at cost at the date of acquisition. A subsequent expenditure is capitalized only when it increases the future economic benefit in the specific asset to which it relates.

Other rights represent the costs to acquire the rights, for finite periods of time, to access electricity delivery corridors, to the supply of water, to provide sewage treatment and transportation services, to withdraw groundwater and to the supply of potable water for emergency and peak purposes.

The cost of intangible software includes the cost of license acquisitions, contracted services, materials, direct labor, along with directly attributable overhead costs and borrowing costs on qualifying assets.

Amortization of the cost of finite life intangible assets is recognized on a straight-line basis over the estimated economic useful lives of the assets, from the date they are available for use, as this most closely reflects the expected usage of the asset. Work in progress is not amortized. The estimated economic useful lives and methods of amortization are reviewed annually, with any changes adopted on a prospective basis.

The estimated economic useful lives for intangible assets with finite lives are as follows:

Customer rights	10 – 20 years
Software assets	2 – 20 years
Other rights	50 years
Water rights	100 years

Certificates of convenience and necessity (CCN) represent the costs to acquire the exclusive rights for the Company to serve within its specified geographic areas in the U.S. for an indefinite period of time. CCN are not amortized but are subject to review for impairment at the end of each reporting period.

Gains or losses on the disposal of intangible assets are determined as the difference between the net disposal proceeds and the carrying amount of the asset, and are included within depreciation and amortization.

(m) Deferred revenue

Certain assets may be acquired or constructed using non-repayable government grants or contributions from developers or customers. Non-refundable contributions received towards construction or acquisition of an item of PP&E which are used to provide ongoing service to a customer are recorded as deferred revenue and are amortized on a straight line basis over the estimated economic useful lives of the assets to which they relate.

(n) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as a financing expense over the estimated time period until settlement of the obligation.

The Company recognizes a decommissioning provision in the period in which a legal or constructive obligation is incurred. A corresponding asset for the decommissioning cost is added to the carrying amount of the associated PP&E, and is depreciated over the estimated useful life of the asset.

The Company may receive contributions from customers, homebuilders, real estate developers, and others to fund construction necessary to extend service to new areas. Certain of these contributions may be refunded for a limited period of time as new customers begin to receive service or other contractual obligations are fulfilled. The portion of contributions which are estimated to be refunded in the future are recorded as provisions. The remaining contributions are classified as deferred revenue.

(o) Employee future benefits

The employees of the Company are either members of the Local Authorities Pension Plan (LAPP) or other defined contribution or defined benefit pension plans.

The Company recognizes the contribution payable to a defined contribution plan as an expense and a liability in the period during which the service is rendered.

The LAPP is a multi-employer defined benefit pension plan. The trustee of the plan is the Alberta President of Treasury Board and Minister of Finance and the plan is administered by a Board of Trustees. The Company and its employees make contributions to the plan at rates prescribed by the Board of Trustees to cover costs and an unfunded liability under the plan. The rates are based on a percentage of the pensionable salary. The most recent actuarial report of the plan discloses an unfunded liability. It is accounted for as a defined contribution plan as the LAPP is not able to provide information which reflects EPCOR's specific share of the defined benefit obligation or plan assets that would enable the Company to account for the plan as a defined benefit plan. Accordingly, the Company does not recognize its share of any plan surplus or deficit.

The Company maintains additional defined contribution and defined benefit pension plans to provide pension benefits to those employees who are not otherwise served by the LAPP, including employees of new or acquired operations. Employees participating in such defined benefit and contribution plans comprise less than 17% of total employees (2012 – 18%).

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability for short-term employee benefits is recognized for the amount expected to be paid if the Company has a legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(p) Derivative financial instruments

The Company uses various risk management techniques to reduce its exposure to movements in electricity prices and foreign currency exchange rates. These include the use of derivative financial instruments such as forward contracts or contracts-for-differences. Such instruments may be used to establish a fixed price for electricity or anticipated transactions denominated in a foreign currency. Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met.

The Company sells electricity to customers under a Regulated Rate Tariff (RRT). As part of the RRT, the amount of electricity to be economically hedged, the hedging method and the electricity selling prices to be charged to these customers is determined by an Energy Price Setting Plan (EPSP). Under the EPSP, the Company manages its exposure to fluctuating wholesale electricity spot prices by entering into financial electricity purchase contracts up to 120 days in advance of the month of consumption in order to economically hedge the price of electricity under a well-defined risk management process set out in the EPSP. Under these instruments, the Company agrees to exchange, with a single creditworthy and adequately secured counterparty, the difference between the Alberta Electric System Operator (AESO) market price and the fixed contract price for a specified volume of electricity for the forward months, all in accordance with the EPSP.

Foreign exchange forward contracts may be used by the Company to manage foreign exchange exposures, consisting mainly of U.S. dollar exposures, resulting from anticipated transactions denominated in foreign currencies.

All derivative financial instruments are recorded at fair value as derivative assets or derivative liabilities on the statement of financial position, to the extent they have not been settled, with all changes in the fair value of derivatives recorded in net income.

The fair value of derivative financial instruments reflects changes in the electricity prices and foreign exchange rates. Fair value is determined based on exchange or over-the-counter price quotations by reference to bid or asking price, as appropriate, in active markets. Fair value amounts reflect management's best estimates using external readily observable market data, such as forward prices, foreign exchange rates and discount rates for time value. It is possible that the assumptions used in establishing fair value amounts will differ from future outcomes and the impact of such variations could be material.

(q) Non-derivative financial instruments

Financial assets are identified and classified as measured at fair value through profit or loss if classified as held for trading or designated as such upon initial recognition, loans and receivables, or available-for-sale financial assets. Financial liabilities are classified as measured at fair value through profit or loss or as other liabilities.

Financial assets and financial liabilities are presented on a net basis when the Company has a legally enforceable right to set off the recognized amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial instruments at fair value through profit or loss

The Company may designate financial instruments as measured at fair value through profit or loss when such financial instruments have a reliably determinable fair value and where doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets and liabilities or recognizing gains and losses on them on a different basis.

Upon initial recognition, directly attributable transaction costs are recognized in net income as incurred. Changes in fair value of financial assets measured at fair value through profit or loss are recognized in net income.

Loans and receivables

Cash and cash equivalents, trade and other receivables, and other financial assets are classified as loans and receivables.

The Company's loans and receivables are recognized initially at fair value plus directly attributable transaction costs, if any. After initial recognition, they are measured at amortized cost using the effective interest method less any impairment as described in note 3(r). The effective interest method calculates the amortized cost of a financial asset or liability and allocates the finance income or expense over the term of the financial asset or liability using an effective interest rate. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, or a shorter period when appropriate, to the net carrying amount of the financial asset or financial liability.

Available-for-sale financial assets

The Company's beneficial interest in the sinking fund with the City does not meet the criteria for classification in any of the previous categories and is classified as an available-for-sale financial asset and measured at fair value with changes in fair value reported in other comprehensive income until it is disposed of or becomes impaired, as described in note 3(r).

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale and that are not classified in other categories. These assets are initially recognized at fair value plus directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value with unrealized gains and losses, other than impairment losses, recognized in other comprehensive income and presented within equity in the fair value reserve.

On derecognition of an available-for-sale financial asset, the cumulative gain or loss that was previously held in equity is transferred to net income.

Other liabilities

The Company's trade and other payables, loans and borrowings and other liabilities are recognized on the date at which the Company becomes a party to the contractual arrangement. Other liabilities are derecognized when the contractual obligations are discharged, cancelled or expire.

Other liabilities are recognized initially at fair value including debenture discounts and premiums, plus directly attributable transaction costs, such as issue expenses, if any. Subsequently, these liabilities are measured at amortized cost using the effective interest rate method.

(r) Impairment of financial assets

The Company's financial assets held as loans and receivables or available-for-sale assets are assessed for indicators of impairment at each reporting date. An impairment loss for financial assets is recorded when it is identified that there is objective evidence that one or more events has occurred, after the initial recognition of the asset, that has had a negative impact on the estimated future cash flows of the asset and that can be reliably estimated. The objective evidence for these types of assets is as follows:

- For listed and unlisted investments in equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment.
- For all other financial assets, including finance lease receivables, objective evidence of impairment includes significant financial difficulty of the counterparty or default or delinquency in interest or principal payments.
- Trade receivables and other assets that are not assessed for impairment individually are assessed for impairment on a collective basis. Objective evidence of impairment includes the Company's past experience of collecting payments as well as observable changes in national or local economic conditions.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the asset's original effective interest rate. If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is adjusted within net income.

(s) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. Non-financial assets include intangible assets, goodwill and PP&E. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or CGU). For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in net income. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other non-financial assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(t) Foreign currency

Transactions denominated in currencies other than the Canadian dollar are translated at exchange rates in effect at the transaction date. At each reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the end of the reporting period. Other non-monetary assets and liabilities are not re-translated unless they are carried at fair value. Revenues and expenses are translated at average exchange rates prevailing during the period. The resulting foreign exchange gains and losses are included in net income.

On consolidation, the assets and liabilities of foreign operations that have a functional currency other than Canadian dollars are translated into Canadian dollars at the exchange rates in effect at the end of the reporting period. Revenues and expenses are translated at average exchange rates prevailing during the period. The resulting translation gains and losses are deferred and included in the cumulative translation account in accumulated other comprehensive income. The functional currency of the Company's U.S. operations is the U.S. dollar.

(u) Investment in Heartland Transmission Project

In 2011, the Company entered into a joint arrangement to jointly own and control a double-circuit 500 kilovolt alternating current electricity transmission line (the Heartland Transmission Project) extending the 500 kilovolt electricity transmission system from the south Edmonton area to the Industrial Heartland area near the Fort Saskatchewan. The Company has rights to the assets and obligations for the liabilities of the Heartland Transmission Project. Accordingly, the Company classifies its interest in the Heartland Transmission Project as a joint operation. As a result, the consolidated financial statements include EPCOR's 50% share of the joint operation's assets, liabilities, revenue and expenses with items of a similar nature on a line-by-line basis. Unrealized gains and losses on transactions between EPCOR and the joint operation are eliminated to the extent of EPCOR's interest in the joint operation and unrealized losses are eliminated only to the extent there is no evidence of impairment.

(v) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. Transactions between segments are made under terms that approximate market value. The accounting policies of the segments are the same as those described in note 3 and other relevant notes and are measured in a manner consistent with that of the consolidated financial statements. All operating segments' results are reviewed regularly by the Company's management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to management include items directly attributable to a segment as well as those that can be allocated on a reasonable and consistent basis. Unallocated items comprise mainly corporate assets, head office expenses and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire or construct PP&E and intangible assets other than goodwill.

The Canadian and U.S. water operating segments are aggregated as one reportable segment since both operating segments offer the same water and wastewater services, the processes to treat water and wastewater are similar in both operating segments, the customer bases for each operating segment are similar, both segments operate under similar rate regulations and the margins earned by both segments are similar.

(w) Standards and interpretations not yet applied

A number of new standards, amendments to standards and interpretations were issued by the IASB and the International Financial Reporting Interpretations Committee for application beginning on or after January 1, 2014. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early.

IFRS 9 – Financial Instruments which replaces IAS 39 – Financial Instruments: Recognition and Measurement, eliminates the existing classification of financial assets and requires financial assets to be measured based on the business model in which they are held and the characteristics of their contractual cash flows. Gains and losses on re-measurement of financial assets at fair value will be recognized in profit or loss, except for an investment in an equity instrument which is not held-for-trading. Changes in fair value attributable to changes in credit risk of financial liabilities measured under the fair value option will be recognized in other comprehensive income with the remainder of the change recognized in profit or loss unless an accounting mismatch in profit or loss occurs at which time the entire change in fair value will be recognized in profit or loss. Derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument must be measured at fair value. This standard is still under development. The effective date, initially set for annual periods beginning on or after January 1, 2015, has been removed by the IASB. A new date will be determined by the IASB when the entire IFRS 9 project is close to completion.

4. Use of judgments and estimates

The preparation of the Company's consolidated financial statements in accordance with IFRS requires management to make judgments in the application of accounting policies, and estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities as well as the disclosure of contingent assets and liabilities at the date of the consolidated financial statements.

(a) Judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are included in notes:

Note 3(i) – Investment in Capital Power
Note 3(v) – Segment reporting

(b) Estimates

Significant accounting estimates were made in determining the fair value of identifiable assets acquired and liabilities assumed in connection with the Water Arizona and Water New Mexico acquisition including discount rates, future income and cash flows, replacement costs, useful lives, residual values and weighted average cost of capital and the provision for refundable contributions. The fair values were determined using generally accepted methods, as described in note 34, and the assistance of a third party valuation expert.

The Company reviews its estimates and assumptions on an ongoing basis and uses the most current information available and exercises careful judgment in making these estimates and assumptions. Adjustments to previous estimates, which may be material, will be recorded in the period they become known. Actual results may differ from these estimates.

Assumptions and uncertainties that have a significant risk of resulting in a material adjustment within the next financial year include:

Revenues

By regulation, electricity wire service providers in Alberta have four months (2012 – four months) to submit the final electricity load settlement data after the month in which such electricity was consumed. The data and associated processes and systems used by the Company to estimate electricity revenues and costs, including unbilled consumption, are complex. The Company's estimation procedures will not necessarily detect errors in underlying data provided by industry participants including wire service providers and load settlement agents.

Fair value measurement

For certain accounting measures such as determining asset impairments, purchase price allocations for business combinations, recording financial assets and liabilities, recording certain non-financial assets and for certain disclosures, the Company is required to estimate the fair value of certain assets or obligations. Estimates of fair value may be based on readily determinable market values or on depreciable replacement cost or discounted cash flow techniques employing estimated future cash flows based on a number of assumptions and using an appropriate discount rate. Financial instruments that are not classified as loans and receivables are recorded at fair value, which may require the use of estimated future prices.

(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Deferred taxes

Significant estimation and judgment is required in determining the provision for income taxes. Recognition of deferred tax assets in respect of deductible temporary differences and unused tax losses and credits is based on management's estimation of future taxable profit against which the deductible temporary differences and unused tax losses and credits can be utilized. The actual utilization of these deductible temporary differences and unused tax losses and credits may vary materially from the amounts estimated.

5. Revenues and other income

	2013	2012
Revenue		
Electricity and water sales	$ 1,392	$ 1,445
Provision of services	491	456
Finance lease income	14	14
Construction revenues	32	16
	1,929	1,931
Other income		
Interest income on long-term receivable with Capital Power	23	25
Other	3	3
	26	28
	$ 1,955	$ 1,959

6. Expense analysis

	2013	2012
Included in staff costs and employee benefits expenses		
Post-employment defined contribution plan expense	$ 27	$ 25
Post-employment defined benefit plan expense (note 3(b))	4	1
Included in depreciation and amortization		
Depreciation of property, plant and equipment	123	114
Amortization of intangible assets	16	15
Loss on disposal of assets	6	3
Loss in decommissioning provision	-	1
	145	133
Included in other administrative expenses		
Operating lease expenses	13	13
Lease recoveries through sub-lease	(4)	(4)

7. Finance expenses

	2013	2012
Interest on loans and borrowings	$ 120	$ 123
Capitalized interest (note 17)	(13)	(7)
	$ 107	$ 116

(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

8. Impairment of investment in Capital Power

During the fourth quarter, it was determined that the carrying amount of the Company's investment in exchangeable limited partnership units of Capital Power L.P. exceeded the recoverable amount of the investment. The recoverable amount was based on an estimate of the investment's fair value less costs to sell. Fair value was derived from the price of Capital Power Corporation shares at the close of the Toronto Stock Exchange on December 31, 2013, less estimated underwriting fees and selling costs of 4% of the total fair value. As a result, the Company recorded a pre-tax impairment charge of $43 million ($43 million after tax, 2012 – $124 million pre-tax and after tax), allocated to the corporate business segment.

9. Income tax expense

	2013	2012
Current income tax expense	$ 7	$ 5
Deferred income tax expense		
Relating to origination and reversal of temporary differences	2	(40)
Recognition of previously unrecognized deferred tax assets	(3)	-
Write-down of deferred tax assets	9	33
	8	(7)
Total income tax expense (recovery)	$ 15	$ (2)

Income taxes differ from the amounts that would be computed by applying the federal and provincial income tax rates as follows:

	2013	2012
Income before taxation	$ 190	$ 17
Income tax at the statutory rate of 25.0% (2012 – 25.0%)	48	4
Increase (decrease) resulting from:		
Income exempt from income taxes at statutory rates	(46)	(36)
Unrecognized deferred tax assets	10	33
Effect of higher tax rate in the U.S.	1	2
Adjustments for income tax relating to prior periods	-	(5)
Other	2	-
Total income tax expense (recovery)	$ 15	$ (2)

10. Cash and cash equivalents

	2013	2012
Cash on deposit	$ 120	$ 127
Cash equivalents	10	105
	$ 130	$ 232

Restricted balances

Under certain agreements between the Company and the Natural Gas Exchange (NGX) for the purchase of electricity derivative financial instruments, the Company established separate bank accounts through which the settlement of the electricity derivative financial contracts are processed in conjunction with letters of credit and cash as collateral. As security for the payment and performance of its obligations, the Company assigned a first ranking security interest on the balance of these accounts to the NGX. The Company's use of this cash is restricted to these purposes. At December 31, 2013, $23 million (2012 – $14 million) was held in these bank accounts.

In accordance with the terms of a U.S. subsidiary's long-term debt agreement, the Company is required to maintain amounts on deposit in a trust account for payment of principal and interest. The funds in this account will be maintained until such time that the terms of the financing agreement are fully satisfied. The balance in this account at December 31, 2013 was $1 million (2012 – $1 million).

(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

11. Trade and other receivables

	2013	2012
Trade receivables	$ 209	$ 222
Accrued revenues	117	115
Gross accounts receivable	326	337
Allowance for doubtful accounts	(4)	(4)
Net accounts receivable	322	333
Prepaid expenses	4	2
	326	335
Current portion of finance lease receivables (note 13)	4	3
Current portion of long-term receivables (note 14)	30	21
	$ 360	$ 359

Details of the aging of accounts receivable and analysis of the changes in the allowance for doubtful accounts are provided in note 30.

12. Inventories

During the year ended December 31, 2013, $23 million (2012 – $29 million) was expensed to other raw materials and operating charges.

No significant inventory write-downs were recognized in the years ended December 31, 2013 or 2012. No reversals of previous write-downs were recorded in the years ended December 31, 2013 or 2012.

At December 31, 2013 or 2012, no inventories were pledged as security for liabilities.

13. Leases

Finance lease receivables

In 2009, the Company acquired potable water and wastewater treatment plant assets for approximately $100 million and agreed to lease the assets back to the vendor for a 20-year term after which the vendor has the option to purchase the assets from the Company for a specified price. As part of the arrangement, the Company also agreed to construct additional water and wastewater treatment plant assets for the vendor and to operate and maintain the original assets acquired and leased back to the vendor and the additional constructed assets over the 20-year lease term.

Approximate future payments to the Company are as follows:

	Minimum lease receivable		Present value of minimum lease receivable	
	2013	2012	2013	2012
Within one year	$ 15	$ 15	$ 4	$ 3
Between one and five years	60	59	20	18
More than five years	160	174	102	107
Less: unearned finance income	(109)	(120)	-	-
	126	128	126	128
Less: current portion[1] (included in trade and other receivables) (note 11)	4	3	4	3
	$ 122	$ 125	$ 122	$ 125

[1] Net of unearned finance income

(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Operating leases payable

The Company has entered into operating leases for premises.

In 2007, the Company entered into a long-term agreement to lease commercial space in a new office tower in Edmonton, Canada, primarily for its head office (head office lease). The agreement, which became effective in the fourth quarter of 2011, has an initial lease term of approximately 20 years, expiring on December 31, 2031, and provides for three successive five-year renewal options. The Company's annual lease commitments, net of annual payments to be paid to the Company by Capital Power and another company under the sub-leases receivable discussed below, under the terms of the lease are as follows:

	Minimum lease payable	
	2013	2012
January 1, 2014 through December 31, 2022	$ 6	$ 6
January 1, 2023 through December 31, 2023	7	7
January 1, 2024 through December 31, 2031	8	8

Approximate gross future payments under this and other operating leases payable for premises are as follows:

	Minimum lease payable	
	2013	2012
Within one year	$ 13	$ 14
Between one to five years	53	56
More than five years	156	180
	$ 222	$ 250

Operating lease receivable

The Company has sub-leased a portion of the space under its head office lease to Capital Power under the same terms and conditions as the Company's lease with its landlord.

Effective November 1, 2013, the Company sub-leased a portion of the space under its head office lease to a third party. The term of the sub-lease to the third party expires October 31, 2023 with two renewal options of four years each.

Approximate future payments to the Company under the sub-leases receivable are as follows:

	Minimum lease receivable	
	2013	2012
Within one year	$ 5	$ 4
Between one to five years	20	20
More than five years	58	63
	$ 83	$ 87

14. Other financial assets

	2013	2012
Long-term loans receivable from Capital Power	$ 340	$ 354
Loans and other long-term receivables	56	49
Other	1	1
	397	404
Less: current portion (included in trade and other receivables) (note 11)	30	21
	$ 367	$ 383

(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Long-term loans receivable from Capital Power

On July 9, 2009, EPCOR received $896 million in long-term loans receivable from Capital Power as part of the consideration on the sale of the power generation business. These loans effectively mirror certain long-term debt obligations of EPCOR. The interest rates on the long-term loans receivable range from 5.8% to 9.0% and the remaining balance will be repaid at various dates out to June 30, 2018 as follows:

	2013	2012
Within one year	$ 8	$ 14
Between one to five years	332	166
More than five years	-	174
	$ 340	$ 354

15. Deferred tax assets / liabilities

Deferred tax assets are attributable to the following:

	2013	2012
Losses carried forward	$ 38	$ 49
Deferred income in partnership	6	7
Intangible assets	7	8
Deferred revenue	67	59
Decommissioning provisions and assets	14	10
Other items	5	4
Tax assets	137	137
Set off by tax liabilities	(84)	(85)
Net tax assets	$ 53	$ 52

Deferred tax liabilities are attributable to the following:

	2013	2012
Investment in partnership	$ 2	$ 8
Deferred income in partnership	1	3
Intangible assets	9	5
Goodwill	1	1
Property, plant and equipment	79	63
Decommissioning provisions and assets	-	6
Other items	4	3
Tax liabilities	96	89
Set off by tax assets	(84)	(85)
Net tax liabilities	$ 12	$ 4

EPCOR UTILITIES INC.

Notes to the Consolidated Financial Statements
(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Years ended December 31, 2013 and 2012

The changes in temporary differences during the years ended December 31, 2013 and 2012 were as follows:

	Balance, beginning of 2013	Recognized in net income	Recognized in other comprehensive income	Recognized through business combinations	Balance, end of 2013
Losses carried forward	$ 49	$ (11)	$ -	$ -	$ 38
Investment in partnership	(8)	3	3	-	(2)
Deferred income in partnership	4	1	-	-	5
Intangible assets	3	(5)	-	-	(2)
Goodwill	(1)	-	-	-	(1)
Property, plant and equipment	(63)	(16)	-	-	(79)
Deferred revenue	59	8	-	-	67
Decommissioning provisions and assets	4	10	-	-	14
Other items	1	2	(2)	-	1
	$ 48	$ (8)	$ 1	$ -	$ 41

	Balance, beginning of 2012	Recognized in net income	Recognized in other comprehensive income	Recognized through business combinations	Balance, end of 2012
Losses carried forward	$ 60	$ (11)	$ -	$ -	$ 49
Investment in partnership	(29)	24	(3)	-	(8)
Deferred income in partnership	-	4	-	-	4
Intangible assets	4	(1)	-	-	3
Goodwill	-	(1)	-	-	(1)
Property, plant and equipment	(7)	(3)	-	(53)	(63)
Loans and borrowings	(1)	-	1	-	-
Deferred revenue	6	-	-	53	59
Decommissioning provisions and assets	8	(4)	-	-	4
Other items	1	(1)	1	-	1
	$ 42	$ 7	$ (1)	$ -	$ 48

The Company has the following deductible temporary differences for which no deferred tax assets have been recognized:

	2013	2012
Non-capital losses	$ 210	$ 152
Capital losses	366	282
Other deductible temporary differences	5	105

The non-capital losses expire between the years 2026 and 2033.

Deferred tax assets have been recognized to the extent that it is probable that taxable income will be available against which the deductible temporary difference can be utilized. The Company has recognized deferred tax assets in the amount of $48 million (2012 – $47 million) the utilization of which is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences. The recognition of these deferred tax assets is based on taxable income forecasts that incorporate existing circumstances that will result in positive taxable income against which non-capital loss carry-forwards can be utilized as well as management's intention to implement specific income tax planning strategies that will allow for the offset of remaining deductible temporary differences against future earnings of taxable entities within the consolidated group.

(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

16. Investment in Capital Power

At December 31, 2013, the Company owned 18.8 million (2012 – 28.4 million) exchangeable limited partnership units of Capital Power L.P. (exchangeable for common shares of Capital Power Corporation on a one-for-one basis), representing a 19% (2012 – 29%) economic interest in Capital Power. Capital Power builds, owns and operates power plants in North America and manages its related electricity and natural gas portfolios by undertaking trading and marketing activity. In October 2013, EPCOR exchanged 9,600,000 limited partnership units for an equal number of shares of Capital Power which were immediately sold at an offering price of $21.00 per share for aggregate gross proceeds of $202 million. The Company recorded a $16 million non-cash loss on the sale. The Company's economic interest in Capital Power decreases when it sells a portion of its investment in Capital Power and when Capital Power Corporation issues more common shares, diluting EPCOR's economic interest in Capital Power.

As described in note 3(i), EPCOR does not control Capital Power. The investment in Capital Power represents an investment subject to significant influence and is accounted for using the equity method from the effective date of the sale of the power generation business by EPCOR in early July 2009. The investment was initially recorded at the initial cost of the net assets of the power generation business retained by EPCOR in the form of its initial 72% interest in Capital Power. The investment subsequently increases by the Company's equity share of earnings of Capital Power and the Company's equity share of Capital Power's other comprehensive income, and decreases by the limited partnership distributions paid by Capital Power, the Company's equity share of Capital Power's other comprehensive loss, subsequent disposals of portions of the Company's investment and impairment adjustments.

The quoted market price of the common shares of Capital Power Corporation at December 31, 2013 was $21.30 per common share (December 31, 2012 – $22.73 per common share). Fair value of the Company's investment in Capital Power at December 31, 2013 was $401 million (2012 – $646 million).

The investment in Capital Power L.P. is detailed as follows:

	2013	2012
Balance, beginning of year	$ 621	$ 987
Equity share of net income	66	41
Equity share of other comprehensive income (loss)	(13)	14
Distributions declared	(33)	(39)
Sale of a portion of the investment	(213)	(258)
Impairment (note 8)	(43)	(124)
Balance, end of year	$ 385	$ 621

Summarized financial information of Capital Power L.P.:

	2013	2012
Statements of Financial Position		
Current assets	$ 429	$ 525
Non-current assets	4,808	4,638
Current liabilities	(687)	(363)
Non-current liabilities	(1,856)	(2,183)

EPCOR UTILITIES INC.

Notes to the Consolidated Financial Statements
(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Years ended December 31, 2013 and 2012

		2013		2012
Statements of Comprehensive Income				
Revenue and other income	$	1,383	$	1,291
Net income attributable to non-controlling interests		(11)		(10)
Net income attributable to partners		240		120
Total net income		229		110
Other comprehensive income all attributable to the partners of Capital Power L.P.		(47)		42
Total comprehensive income	$	182	$	152

Other information on EPCOR's investment in Capital Power L.P.:

		2013		2012
Weighted average percentage of ownership interest		27%		32%
Fair value adjustments at acquisition	$	7	$	7

17. Property, plant and equipment

	Construction work in progress	Land	Water treatment & distribution	Electricity transmission & distribution	Retail systems & equipment	Corporate information systems & other	Total
Cost							
Balance, beginning of 2013	$ 168	$ 35	$ 2,642	$ 1,513	$ 7	$ 82	$4,447
Additions[1]	420	-	19	2	-	4	445
Additions through business combinations	-	-	10	-	-	-	10
Disposals and retirements	-	-	(10)	(10)	(1)	(3)	(24)
Transfers into service	(468)	13	112	342	1	-	-
Foreign currency valuation adjustments	1	-	39	-	-	-	40
Other movements	-	-	-	2	-	(2)	-
Balance, end of 2013	121	48	2,812	1,849	7	81	4,918
Accumulated depreciation							
Balance, beginning of 2013	-	-	553	438	3	36	1,030
Depreciation	-	-	67	46	1	9	123
Disposals and retirements	-	-	(5)	(6)	(1)	(1)	(13)
Foreign currency valuation adjustments	-	-	2	-	-	-	2
Other movements	-	-	-	1	-	(1)	-
Balance, end of 2013	-	-	617	479	3	43	1,142
Net book value, end of 2013	$ 121	$ 48	$ 2,195	$ 1,370	$ 4	$ 38	$3,776

EPCOR UTILITIES INC.

Notes to the Consolidated Financial Statements
(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Years ended December 31, 2013 and 2012

	Construction work in progress	Land	Water treatment & distribution	Electricity transmission & distribution	Retail systems & equipment	Corporate information systems & other	Total
Cost							
Balance, beginning of 2012	$ 96	$ 30	$ 2,015	$ 1,354	$ 14	$ 78	$3,587
Additions[1]	341	-	23	4	1	4	373
Additions through business combinations	8	6	501	-	-	-	515
Disposals and retirements	-	(1)	(8)	(6)	(8)	-	(23)
Transfers into service	(277)	-	116	161	-	-	-
Foreign currency valuation adjustments	-	-	(5)	-	-	-	(5)
Balance, end of 2012	168	35	2,642	1,513	7	82	4,447
Accumulated depreciation							
Balance, beginning of 2012	-	-	496	400	6	27	929
Depreciation	-	-	62	42	1	9	114
Disposals and retirements	-	-	(5)	(4)	(4)	-	(13)
Balance, end of 2012	-	-	553	438	3	36	1,030
Net book value, end of 2012	$ 168	$ 35	$ 2,089	$ 1,075	$ 4	$ 46	$3,417

1. Additions include non-cash contributed assets of $21 million (2012 – $23 million) (note 21).

Borrowing costs capitalized during the year ended December 31, 2013 were $13 million (2012 – $7 million) (note 7). The weighted average rates used to determine the borrowing costs eligible for capitalization ranged from 4.30% to 5.85% (2012 – 4.30% to 7.91%).

Restrictions on assets

Assets with a net book value of $45 million (2012 – $41 million) have been pledged as security against certain subsidiary bonds with a net carrying amount of $5 million (2012 – $5 million) (note 20).

(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

18. Intangible assets and goodwill

	Goodwill	Customer rights	Other rights	CCN	Software	Total
Cost						
Balance, beginning of 2013	$ 36	$ 51	$ 38	$ 62	$ 163	$ 350
Additions through acquisition	-	-	10	-	9	19
Additions through business combination	1	-	-	-	-	1
Internally generated additions	-	-	-	-	6	6
Disposals and retirements	-	-	-	-	(4)	(4)
Change in construction work in progress	-	-	(1)	-	(1)	(2)
Foreign currency translation adjustments	2	-	2	5	-	9
Balance, end of 2013	39	51	49	67	173	379
Accumulated amortization						
Balance, beginning of 2013	-	30	2	-	96	128
Amortization	-	3	1	-	12	16
Disposals and retirements	-	-	-	-	(5)	(5)
Balance, end of 2013	-	33	3	-	103	139
Net book value, end of 2013	$ 39	$ 18	$ 46	$ 67	$ 70	$ 240

	Goodwill	Customer rights	Other rights	CCN	Software	Total
Cost						
Balance, beginning of 2012	$ 11	$ 51	$ 7	$ -	$ 162	$ 231
Additions through acquisition	-	-	-	-	10	10
Additions through business combination	25	-	31	63	-	119
Internally generated additions	-	-	-	-	5	5
Disposals and retirements	-	-	-	-	(14)	(14)
Foreign currency translation adjustments	-	-	-	(1)	-	(1)
Balance, end of 2012	36	51	38	62	163	350
Accumulated amortization						
Balance, beginning of 2012	-	27	1	-	99	127
Amortization	-	3	1	-	11	15
Disposals and retirements	-	-	-	-	(14)	(14)
Balance, end of 2012	-	30	2	-	96	128
Net book value, end of 2012	$ 36	$ 21	$ 36	$ 62	$ 67	$ 222

There are no security charges over the Company's intangible assets. Included in customer rights are the Company's customer rights to operate in the FortisAlberta service territory which expire on December 31, 2020.

(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

For purposes of impairment testing, CCN has been allocated to cash-generating units as follows:

	2013	2012
Cash generating unit:		
Water segment – Water Arizona	$ 65	$ 60
Water segment – Water New Mexico	2	2
	$ 67	$ 62

For purposes of impairment testing, goodwill acquired through business combinations has been allocated to cash-generating units as follows:

	2013	2012
Cash generating unit:		
Water segment – French Creek	$ 1	$ 1
Water segment – White Rock	1	1
Water segment – Chaparral	10	9
Water segment – Water Arizona	23	22
Water segment – Water New Mexico	4	3
	$ 39	$ 36

The most recent reviews of goodwill were performed in the fourth quarter for each cash generating unit. Management reviewed conditions since the last review was performed and determined that no circumstances occurred since then to require a revision to the assumptions used in the value-in-use calculations.

The recoverable amount of the cash generating units was determined based on a value-in-use calculation using cash flow projections from financial budgets approved by senior management covering a twenty year period. The projections were based on cash flow projections for the most recent long term plan, which covered periods up to five years, with the projections for the balance of the twenty-year period extrapolated using growth rates between 2.1% and 3.56% (2012 – between 2.1% and 2.6%) that are in line with the long-term average growth rate for the industry. The pre-tax discount rates applied to cash flow projections are as follows:

	2013	2012
Cash generating unit:		
Water segment – French Creek	7.69%	8.18%
Water segment – White Rock	8.49%	7.82%
Water segment – Chaparral	8.25%	7.58%
Water segment – Water Arizona	6.39%	6.97%
Water segment – Water New Mexico	5.95%	7.00%

Key assumptions used in value in use calculations

The future cash flows of the underlying businesses are relatively stable, since they relate to ongoing water supply in a rate regulated environment. As the cash generating units operate under a rate regulated environment, revenues are set by the regulators to cover operating costs and to earn a return on the rate base, which is set at the regulator's approved weighted average cost of capital for the underlying utility.

The calculation of value in use for the cash generating units is most sensitive to the following assumptions:

Discount rates

The discount rates used were estimated based on the weighted average cost of capital for the cash generating unit, which is the approved rate of return on capital allowed by the regulators. This rate was further adjusted to reflect the market assessment of any risk specific to the cash generating unit for which future estimates of cash flows have not been adjusted.

(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Timing of future rate increases

Revenue growth is forecast to continue at the same rate as operating costs. If future rate filings are delayed, rate increases and increased cash flows from revenues would be affected.

Sensitivity to changes in assumptions

Assumptions have been tested using reasonably possible alternative scenarios. For all scenarios considered, the recoverable value remained above the carrying amount of the cash generating unit.

19. Trade and other payables

	2013	2012
Trade payables	$ 138	$ 204
Accrued liabilities	54	40
Accrued interest	27	29
Due to related parties	10	13
Due to employees	16	15
Income tax payable	-	2
	$ 245	$ 303

EPCOR UTILITIES INC.

Notes to the Consolidated Financial Statements
(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Years ended December 31, 2013 and 2012

20. Loans and borrowings

	Effective interest rate	2013	2012
Obligation to the City, net of sinking fund			
Due in 1-5 years at 8.50% (2012 – 8.76%)	11.04%	$ 33	$ 4
Due in 6-10 years at 7.01% (2012 – 8.14%)	7.01%	19	58
Due in 11-15 years at 0.00% (2012 – 6.18%)	0.00%	-	1
Due in 16-25 years at 5.20% (2012 – 5.20%)	5.36%	82	88
		134	151
Public debentures			
At 6.75%, due in 2016	6.94%	130	130
At 5.80%, due in 2018	6.02%	400	400
At 6.80%, due in 2029	7.05%	150	150
At 5.65%, due in 2035	5.88%	200	200
At 6.65%, due in 2038	6.83%	200	200
At 5.75%, due in 2039	5.88%	200	200
At 4.55%, due in 2042	4.65%	300	300
		1,580	1,580
Private debt notes			
Bonds at 3.74%, due in 2021	3.80%	147	137
Bonds at 5.40%, due in 2022	5.55%	4	4
Bonds at 5.30%, due in 2022	5.44%	1	1
Bonds at 5.00%, due in 2041	5.08%	119	111
		271	253
		1,985	1,984
Other borrowings			
Deferred debt issue costs		(13)	(14)
		1,972	1,970
Less: current portion		15	14
		$ 1,957	$ 1,956

Obligation to the City

Debentures were issued, on behalf of the Company, pursuant to the City Bylaw authorization. The outstanding debentures are a direct, unconditional obligation of the City. The Company's obligation to the City matches the City's obligation pursuant to the debentures. The 8.50% debentures, maturing in the year 2018 and totaling $33 million, rank as subordinated debt. In the event of default on other interest obligations, the coupon and sinking fund payments on the subordinated debt may be deferred for a period of up to five years, not exceeding the maturity date. If still in default at the end of five years, all unpaid payments plus accrued interest thereon may be repaid by issuing common shares to the City. Except for the subordinated debt, the obligation to the City will rank at least equal to all future debt that may be issued by the Company.

The Company makes annual contributions into the sinking fund of the City pertaining to certain debenture issues. These payments constitute effective settlement of the respective debt as the sinking fund accumulates to satisfy the underlying debenture maturity. For any specific City debenture sinking fund requirements, the payment obligation ceases on maturity of the debenture. The sinking fund is measured at fair value and presented net of its related debenture.

(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

In 2009, the City transferred the Gold Bar wastewater treatment plant (Gold Bar) to EPCOR. Pursuant to the Gold Bar asset transfer agreement, EPCOR issued $112 million of long-term debt to the City representing EPCOR's proportionate share of the City's debt obligations in respect of Gold Bar assets. The remaining long-term debt bears interest at a weighted average rate of approximately 5.20%.

Public debentures

The public debentures are unsecured direct obligations of the Company and, subject to statutory preferred exemptions, rank equally with all other unsecured and unsubordinated indebtedness of the Company. The debentures are redeemable by the Company prior to maturity at the greater of par and a price specified under the terms of the debenture.

Commercial paper and bankers' acceptances

In the normal course of business, the Company provides financial support and performance assurances including guarantees, letters of credit and surety bonds to third parties in respect of its subsidiaries. Bank lines of credit are unsecured and are available to the Company up to an amount of $946 million (2012 – $945 million), comprised of committed amounts of $900 million (2012 – $900 million) and uncommitted amounts of $46 million (2012 – $45 million) as described in note 30. Letters of credit totaling $100 million (2012 – $139 million) have been issued under these facilities to meet the credit requirements of electricity market participants and to meet conditions of certain service agreements. Amounts borrowed, and letters of credit issued, if any, under these facilities which are not payable within one year are classified as non-current loans and borrowings.

The Company's commercial paper program has an authorized capacity of $500 million (2012 – $500 million). The commercial paper issuance limit of $225 million was removed from the committed credit facilities effective January 31, 2012. The Company had no commercial paper outstanding at December 31, 2013 and 2012.

Private debt notes

The private debt notes due in 2021 and 2041 were issued in U.S. dollars, are unsecured direct obligations of the Company and, subject to statutory preferred exemptions, rank equally with all other unsecured and unsubordinated indebtedness of the Company. The private debt notes are redeemable by the Company prior to maturity at the greater of par and a price specified under the terms of the private debt notes.

The private debt notes due in 2022 were issued in U.S. dollars and are secured direct obligations of the Company. Assets with a net book value of $45 million (2012 – $41 million) have been pledged as security (note 17). The notes are redeemable prior to maturity at a price specified under the terms of the private debt notes.

21. Deferred revenue

	2013	2012
Balance, beginning of year	$ 762	$ 602
Contributions received	51	45
Acquired on business combination	3	137
Revenue recognized	(20)	(20)
Foreign currency valuation adjustments	10	(2)
	806	762
Less: current portion	23	21
Balance, end of year	$ 783	$ 741

Contributions received include non-cash contributions of $21 million (2012 – $23 million) (note 17).

EPCOR UTILITIES INC.

Notes to the Consolidated Financial Statements
(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Years ended December 31, 2013 and 2012

22. Provisions

	2013	2012
Contributions from customers and developers	$ 31	$ 31
Decommissioning	-	1
Employee benefits (note 3(b))	78	80
	109	112
Less: current portion	29	29
	$ 80	$ 83

Contributions from customers and developers

	2013	2012
Balance, beginning of year	$ 31	$ 5
Contributions received	1	4
Acquired on business combination	4	25
Contributions refunded	(4)	(3)
Non-refundable contribution transferred	(1)	-
Balance, end of year	$ 31	$ 31

Decommissioning

	2013	2012
Balance, beginning of year	$ 1	$ 4
Utilized	(1)	(3)
Balance, end of year	$ -	$ 1

Employee benefits

	2013	2012
Other short-term employee benefit obligation	$ 21	$ 18
Post-employment benefit obligation (note 3(b))	34	37
Other long-term employee benefit obligation	23	25
	$ 78	$ 80

Other long-term employee benefits

Other long-term employee benefits consist mainly of obligations for benefits provided to employees on long-term disability leaves.

Post-employment benefits

Total cash payments for pension benefits for the year ended December 31, 2013, consisting of cash contributed by the Company to the LAPP, other defined contribution and benefit plans, and cash payments directly to beneficiaries for their unfunded pension plan, were $30 million (2012 – $27 million). Total contributions expected to be paid in 2014 to the LAPP, other defined contribution and benefit plans, and cash payments directly to beneficiaries for their unfunded pension plan are $34 million (2012 – $29 million).

(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

23. Derivatives

Derivative financial instruments are held for the purpose of electricity price risk management.

The derivative instruments assets and liabilities used for risk management purposes as described in note 30 consist of the following:

	2013	2012
Derivative instruments assets (liabilities)		
Fair value	$ (4)	$ (4)
Cash paid to counterparty	3	2
Net fair value	$ (1)	$ (2)
Net notional buys		
Megawatt hours of electricity (millions)	1.1	0.7
Range of contract terms (in years)	0.1	0.1

The fair value of electricity derivative financial instruments reflects changes in the forward electricity prices, net of cash payments to or from the counterparty. During the course of the contract, regular payments are made to or received from the counterparty to settle the fair value of the contracts.

Fair value is determined based on quoted exchange index prices by reference to bid or asking price, as appropriate, in, active markets. Fair value amounts reflect management's best estimates using external readily observable market data such as forward electricity prices. It is possible that the assumptions used in establishing fair value amounts will differ from future outcomes and the impact of such variations could be material.

Changes in fair value on electricity derivative financial instruments are recorded in electricity purchases.

24. Other liabilities

	2013	2012
Gold Bar transfer fee payable	$ 7	$ 17
Customer deposits	21	20
Leasehold inducements	12	12
	40	49
Less: current portion	28	31
	$ 12	$ 18

25. Share capital

Authorized shares

Unlimited number of voting common shares without nominal or par value.

Issued shares

Three common shares to the City.

26. Accumulated other comprehensive income

Cash flow hedges

This comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that had not yet occurred prior to the disposal of the power generation business in 2009. On any disposition of the Company's investment in Capital Power, the Company will recognize a portion of these losses in net income in proportion to the remaining interest in Capital Power sold.

(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Available-for-sale financial assets

This comprises the cumulative net change in the fair value of the Company's beneficial interest in the sinking fund, until the investment is derecognized or impaired.

Cumulative translation accounts

The cumulative translation accounts for foreign operations represent the cumulative portion of gains and losses on retranslation of foreign operations that have a functional currency other than Canadian dollars. The cumulative deferred gain or loss on the foreign operation is reclassified to income or loss only on disposal of the foreign operation.

Employee benefits account

The employee benefits account represents the cumulative impact of actuarial gains and losses, and return on plan assets excluding interest income from Company's defined benefit pension plans.

Investment in Capital Power

The investment in Capital Power comprises the Company's equity share in other comprehensive income and loss of Capital Power.

27. Change in non-cash working capital

	2013	2012
Trade receivables (note 11)	$ 11	$ (1)
Prepaid expenses (note 11)	(2)	1
Income tax recoverable	-	5
Inventories	(1)	(1)
Finance lease receivables (note 13)	2	2
Other financial assets (note 14)	7	27
Trade and other payables (note 19)	(58)	39
	$ (41)	$ 72

	2013	2012
Included in specific items on statements of cash flows:		
Finance expenses	$ (1)	$ 1
Income tax expense	-	(6)
Distributions from Capital Power	3	3
Acquisition of Water Arizona and Water New Mexico	-	(5)
	2	(7)
Change in working capital resulting from a change in current portion of long-term receivable	16	25
Operating activities	(66)	75
Investing activities	7	(21)
	$ (41)	$ 72

(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

28. Related party balances and transactions

Compensation of key management personnel

		2013		2012
Short-term employee benefits	$	4	$	4
Post-employment benefits		2		1
Other long-term benefits		4		2
Termination benefits		2		-
	$	12	$	7

The Company provides utility services to key management personnel as it is the sole provider of certain services. Such services are provided in the normal course of operations and are based on normal commercial rates, as approved by regulation.

Other related party transactions

The Company is 100% owned by the City. The Company provides maintenance, repair and construction services, and customer billing services to the City, and purchases printing services and supplies, mobile equipment services, public works and various other services pursuant to service agreements. Sales between the Company and the City are in the normal course of operations, and are generally based on normal commercial rates, or as agreed to by the parties.

Transactions between EPCOR and its subsidiary companies are eliminated on consolidation.

The following summarizes the Company's related party transactions with the City:

		2013		2012
Consolidated Statements of Comprehensive Income				
Revenues (a)	$	83	$	97
Other raw materials and operating charges (b)		14		15
Franchise fees and property taxes (c)		84		79
Finance expense (d)		13		17

(a) Included within revenues are electricity and water sales of $3 million (2012 – $3 million), service revenue including the provision of maintenance, repair and construction services of $73 million (2012 – $86 million), and customer billing services of $7 million (2012 – $8 million).

(b) Includes certain costs of printing services and supplies, mobile equipment services, public works and various other services pursuant to service agreements.

(c) Comprised of franchise fees of $54 million (2012 – $50 million) at 0.71 cents per kilowatt hour of electric distribution capacity (2012 – 0.66 cents per kilowatt hour), franchise fees of $17 million at 8% (2012 – $16 million at 8%) of qualifying revenues of water services and Gold Bar, and property taxes of $13 million (2012 – $13 million) on properties owned within the City municipal boundaries.

(d) Comprised of interest expense on the obligation to the City at interest rates ranging from 5.20% to 8.50% (2012 – 5.20% to 9.00%).

EPCOR UTILITIES INC.

Notes to the Consolidated Financial Statements
(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Years ended December 31, 2013 and 2012

The following summarizes the Company's related party balances with the City:

	2013	2012
Consolidated Statements of Financial Position		
Trade and other receivables	$ 42	$ 30
Property, plant and equipment (e)	3	2
Trade and other payables (f)	8	11
Loans and borrowings (note 20)	134	151
Deferred revenue (g)	25	26
Other liabilities (h) (note 24)	7	17
Equity attributable to the Owner of the Company	24	24

(e) Costs of capital construction for water distribution mains and infrastructure.

(f) Includes $2 million (2012 – $2 million) for drainage and construction services provided by the City.

(g) Capital contributions received for capital projects and rebates relating to maintenance, repair and construction services.

(h) Relates to a transfer fee payable to the City for Gold Bar of which $6 million (2012 – $10 million) is the current portion and $1 million (2012 – $7 million) is the non-current portion.

The Company has a 19% (2012 – 29%) economic interest in Capital Power. The Company provides electricity distribution and transmission services to Capital Power. Transactions are in the normal course of operations and are based on normal commercial rates, as approved by regulation.

The following summarizes the Company's related party transactions with Capital Power:

	2013	2012
Consolidated Statements of Comprehensive Income		
Revenues (i)	$ 23	$ 25
Other income (j)	23	25
Other raw materials and operating charges (k)	9	8
Other administrative expenses (l)	(6)	(6)
Equity share of income of Capital Power (note 16)	66	41
Equity share of other comprehensive income (loss) (note 16)	(13)	14

(i) Relates to electricity distribution and transmission services provided to Capital Power by EPCOR.

(j) Relates to financing revenue on the long-term receivable.

(k) Relates to utility bills and charges for provision of transitional services by Capital Power to EPCOR under services agreements.

(l) Relates to the provision of services by EPCOR to Capital Power under services agreements.

The following summarizes the Company's related party balances with Capital Power:

	2013	2012
Consolidated Statements of Financial Position		
Trade and other receivables (m)	$ 14	$ 18
Other financial assets (note 14)	340	354
Trade and other payables	2	2
Deferred revenue (n)	(6)	(7)

(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

(m) Includes $6 million (2012 – $6 million) relating to the accrued interest on the long-term receivable from Capital Power (note 14).

(n) Contributions for the construction of aerial and underground transmission lines.

29. Financial instruments

Classification

The classification of the Company's financial instruments at December 31, 2013 and 2012 is summarized as follows:

	Classification				
	Fair value through profit or loss	Loans and receivables	Other liabilities	Available-for-sale	Fair value hierarchy
Measured at fair value					
Beneficial interest in sinking fund (note 20)				X	Level 1
Derivatives (note 23)	X				Level 1
Measured at amortized cost					
Cash and cash equivalents (note 10)		X			Level 2
Trade and other receivables (note 11)		X			Level 3
Other financial assets (note 14)		X			Level 2
Trade and other payables (note 19)			X		Level 3
Debentures and borrowings (note 20)			X		Level 2
Customer deposits (note 24)			X		Level 3
Gold Bar transfer fee payable (note 24)			X		Level 3

Fair value

The carrying amounts of cash and cash equivalents, trade and other receivables, current portion of other financial assets, trade and other payables and certain other liabilities (including customer deposits and Gold Bar transfer fee payable) approximate their fair values due to the short-term nature of these financial instruments.

The carrying amounts and fair values of the Company's remaining financial assets and liabilities are as follows:

	2013		2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current portion of other financial assets (note 14)	$ 367	$ 402	$ 383	$ 426
Loans and borrowings (note 20)				
Debentures and borrowings	2,039	2,238	2,128	2,561
Beneficial interest in sinking fund	(67)	(67)	(158)	(158)
Derivatives (note 23)	(1)	(1)	(2)	(2)

Fair value hierarchy

The financial instruments of the Company that are recorded at fair value have been classified into levels using a fair value hierarchy. A Level 1 valuation is determined by unadjusted quoted prices in active markets for identical assets or liabilities. A Level 2 valuation is based upon inputs other than quoted prices included in Level 1 that are observable for the instruments either directly or indirectly. A Level 3 valuation for the assets and liabilities are not based on observable market data.

Loans and other long-term receivables

The fair value of the Company's unsecured long-term receivable from Capital Power is based on a current yield for the Company's receivable at December 31, 2013 and December 31, 2012. This yield is based on an estimated credit spread for Capital Power over the yields of long-term Government of Canada bonds that have similar maturities to the Company's receivable. The estimated credit spread is based on Capital Power's indicative spread as published by independent financial institutions.

The fair values of the Company's other long-term loans and receivables are based on the estimated interest rates implicit in comparable loan arrangements plus an estimated credit spread based on the counterparty risks at December 31, 2013 and December 31, 2012.

Loans and borrowings

The fair value of the Company's long-term loans and borrowings is based on determining a current yield for the Company's debt at December 31, 2013 and December 31, 2012. This yield is based on an estimated credit spread for the Company over the yields of long-term Government of Canada bonds for Canadian dollar loans and U.S. Treasury bonds for U.S. dollar loans that have similar maturities to the Company's debt. The estimated credit spread is based on the Company's indicative spread as published by independent financial institutions. The Company's long-term loans and borrowings (including the current portion) include City debentures which are offset by payments made by the Company into the sinking fund. The Company's beneficial interest in the sinking fund is a related party balance and has been recorded at fair value as it has been classified as an available-for-sale financial asset. The fair value of the beneficial interest in the sinking fund is based on quoted market values as determined by the City at or near the reporting date.

Derivatives

Fair value is determined based on exchange index prices in active markets. Fair value amounts reflect management's best estimates using external readily observable market data such as forward electricity prices. It is possible that the assumptions used in establishing fair value amounts will differ from future outcomes and the impact of such variations could be material.

30. Financial risk management

Overview

The Company is exposed to a number of different financial risks, arising from business activities and its use of financial instruments, including market risk, credit risk, and liquidity risk. The Company's overall risk management process is designed to identify, assess, measure, manage, mitigate and report on business risk which includes, among other risks, financial risk. Enterprise risk management is overseen by the Board of Directors and senior management is responsible for fulfilling objectives, targets, and policies approved by the Board of Directors. EPCOR's Director of Risk, Assurance and Advisory Services provides the Board of Directors with an enterprise risk assessment quarterly. Risk management strategies, policies, and limits are designed to help ensure the risk exposures are managed within the Company's business objectives and risk tolerance. The Company's financial risk management objective is to protect and minimize volatility in earnings and cash flow.

Financial risk management including foreign exchange risk, interest rate risk, liquidity risk, and the associated credit risk management, is carried out by a centralized Treasury function in accordance with applicable policies. The Audit Committee of the Board of Directors, in its oversight role, performs regular and ad-hoc reviews of risk management controls and procedures to help ensure compliance.

Risks related to investment in Capital Power

Significant reliance is placed on the capacity of Capital Power to honor its back-to-back debt obligations with EPCOR. While EPCOR has a significant economic interest in Capital Power, EPCOR does not control Capital Power. Should Capital Power fail to satisfy these obligations, EPCOR's capacity to satisfy its debt obligations would be reduced and EPCOR would need to satisfy its own debt obligations by other means. The back-to-back debt obligations may be called by EPCOR for repayment as its ownership interest in Capital Power is below 20%. The repayment must occur within 180 days of notice if the principal balance outstanding is less than $200 million or 365 days of notice if the principal balance outstanding is equal to or greater than $200 million.

In addition, EPCOR relies on the cash flow from Capital Power partnership distributions as one of the Company's funding sources. The Capital Power distributions are paid at the discretion of the general partner of Capital Power L.P., which EPCOR does not control. There can be no assurance that Capital Power L.P. will continue to pay distributions at current levels as the distributions may be reduced or eliminated entirely in the future.

Underlying these risks are the specific business risks of Capital Power. EPCOR has no ability to manage these risks directly. EPCOR, by virtue of its holdings of exchangeable units in Capital Power L.P., has two (2012 – four) elected directors on the Board of Capital Power. This does give EPCOR some input into certain of the operating and strategic decisions made by Capital Power, including risk management. EPCOR can indirectly reduce its exposure to these risks by reducing its interest in Capital Power.

Capital Power has indemnified EPCOR for any losses arising from its inability to discharge its liabilities, including any amounts owing to EPCOR in relation to the long-term loans receivable.

Market risk

Market risk is the risk of loss that results from changes in market factors such as electricity prices, foreign currency exchange rates, interest rates, and equity prices. The level of market risk to which the Company is exposed at any point in time varies depending on market conditions, expectations of future price or market rate movements and the composition of the Company's financial assets and liabilities held, non-trading physical asset and contract portfolios, and trading portfolios. The Company's financial exposure management policy is approved by the Board of Directors and the associated procedures and practices are designed to manage the foreign exchange risk and interest rate risk throughout the Company.

To manage the exposure related to changes in market risk, the Company may use various risk management techniques including derivative financial instruments such as forward contracts or contracts-for-differences. Such instruments may be used to establish a fixed price for an anticipated transaction denominated in a foreign currency or electricity.

The sensitivities provided in each of the following risk discussions disclose the effect of reasonably possible changes in relevant prices and rates on net income at the reporting date. The sensitivities are hypothetical and should not be considered to be predictive of future performance or indicative of earnings on these contracts. The Company's actual exposure to market risks is constantly changing as the Company's portfolio of debt, foreign currency and commodity contracts changes. Changes in fair values or cash flows based on market variable fluctuations cannot be extrapolated since the relationship between the change in the market variable and the change in fair value or cash flows may not be linear. In addition, the effect of a change in a particular market variable on fair values or cash flows is calculated without considering interrelationships between the various market rates or mitigating actions that would be taken by the Company.

Electricity price and volume risk

EPCOR sells electricity to regulated rate option (RRO) customers under a RRT. All electricity for the RRO customers is purchased in real time from the AESO in the spot market. Under the RRT, the amount of electricity to be economically hedged, the hedging method and the electricity selling prices to be charged to these customers is determined by the EPSP. Under the EPSP, the Company uses financial contracts to economically hedge the RRO requirements and incorporate the price into customer rates for the applicable month. Fixed volumes of electricity are economically hedged using financial contracts-for-differences up to 120 days (2012 – 45 days) in advance of the month in which the electricity (load) is consumed by the RRO customers. The volume of electricity economically hedged in advance is based on load (usage) forecasts for the consumption month. When consumption varies from forecast consumption patterns, EPCOR is exposed to prevailing market prices when the volume of electricity economically hedged is short of actual load requirements or greater than the actual load requirements (long). Exposure to variances in electricity volume can be exacerbated by other events such as unexpected generation plant outages and unusual weather patterns. In January 2013, the Government of Alberta announced that the province will extend the purchasing window from 45 days to 120 days. As a result, EPCOR's EPSP was amended in August 2013 to extend the purchase window to 120 days.

Under contracts-for-differences the Company agrees to exchange, with a single creditworthy and adequately secured counterparty, the difference between the AESO electricity spot market price and the fixed contract price for a specified volume of electricity up to 120 days (45 days prior to August 2013) in advance of the consumption date, all in accordance with the EPSP. The contracts-for-differences are referenced to the AESO electricity spot price and any movement in the AESO price results in changes in the contract settlement amount. If the risks of the EPSP were to become untenable, EPCOR could test the market and potentially re-contract the procurement risk under an outsourcing arrangement at a certain cost that would likely increase procurement costs and reduce margins.

At December 31, 2013, holding all other variables constant, a $5 per megawatt hour increase / decrease in the forward electricity spot price would increase / decrease net income by approximately $6 million (2012 – $3 million). In preparing the sensitivity analysis, the Company compared average AESO electricity spot prices to the forward index price for the past 24 months. Based on historical fluctuations, the Company estimates that the fair value of the contracts could increase or decrease by up to $36 million (2012 – $19 million) with a corresponding change to net income.

Foreign exchange risk

The Company is exposed to foreign exchange risk on foreign currency denominated forecasted transactions, and firm commitments, and monetary assets and liabilities denominated in a foreign currency and on its net investments in foreign subsidiaries.

The Company's financial exposure management policy attempts to minimize economic and material transactional exposures arising from movements in the Canadian dollar relative to the U.S. dollar or other foreign currencies. The Company's direct exposure to foreign exchange risk arises on commitments denominated in U.S. dollars. The Company coordinates and manages foreign exchange risk centrally, by identifying opportunities for naturally occurring opposite movements and then dealing with any material residual foreign exchange risks.

The Company may use foreign currency forward contracts to fix the functional currency of its non-functional currency cash flows thereby reducing its anticipated foreign currency denominated transactional exposure. The Company looks to limit foreign currency exposures as a percentage of estimated future cash flows.

At December 31, 2013, holding all other variables constant, a 10% change in exchange rate would change the private debt balance by $26 million.

Interest rate risk

The Company is exposed to changes in interest rates on its cash and cash equivalents, and floating-rate short-term and long-term loans and obligations. The Company is also exposed to interest rate risk from the possibility that changes in the interest rates will affect future cash flows or the fair values of its financial instruments. At December 31, 2013 and December 31, 2012 all long-term debt was fixed rate. The Company may also use derivative financial instruments to manage interest rate risk. At December 31, 2013 and December 31, 2012, the Company did not hold any interest rate derivative financial instruments.

Credit risk

Credit risk is the possible financial loss associated with the inability of counterparties to satisfy their contractual obligations to the Company, including payment and performance. The Company's counterparty credit risk management policy is approved by the Board of Directors and the associated procedures and practices are designed to manage the credit risks associated with the various business activities throughout the Company. Credit and counterparty risk management procedures and practices generally include assessment of individual counterparty creditworthiness and establishment of exposure limits prior to entering into a transaction with the counterparty. Exposures and concentrations are subsequently monitored and are regularly reported to senior management. Creditworthiness continues to be evaluated after transactions have been initiated, at a minimum, on an annual basis. Credit risk includes the Capital Power back-to-back debt obligations with EPCOR as described above. To manage and mitigate credit risk, the Company employs various credit mitigation practices such as master netting agreements, pre-payment arrangements from retail customers, credit derivatives and other forms of credit enhancements including cash deposits, parent company guarantees, and bank letters of credit.

(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Maximum credit risk exposure

The Company's maximum credit exposure is represented by the carrying amount of the following financial assets:

	2013	2012
Cash and cash equivalents[1] (note 10)	$ 130	$ 232
Trade and other receivables[2] (note 11)	322	333
Finance lease receivables (note 13)	126	128
Loans and other long-term receivables (note 14)	397	404
	$ 975	$ 1,097

[1] This table does not take into account collateral held. At December 31, 2013, the Company held cash deposits of $43 million (2012 – $34 million) as security for certain counterparty accounts receivable and derivative contracts. The Company is not permitted to sell or re-pledge this collateral in the absence of default of the counterparties providing the collateral.

[2] The Company's maximum exposures related to trade and other receivables by major credit concentration is comprised of $256 million (2012 – $269 million) related to rate regulated customer balances. At December 31, 2013, the Company held credit enhancements to mitigate credit risk on trade and other receivables in the form of letters of credit of $1 million (2012 – $1 million) and parental guarantees of $28 million (2012 – $23 million).

Credit quality and concentrations

The Company is exposed to credit risk on outstanding trade receivables associated with its water and electricity sales activities and agreements with the AESO and on electricity supply agreements with wholesale and retail customers. The Company is also exposed to credit risk from its cash and cash equivalents, derivative instruments and long-term financing arrangements receivable.

The credit quality of the Company's trade and other receivables, by major credit concentrations, and other financial assets at December 31, 2013 and 2012 are as follows:

	2013		2012	
	Investment grade or secured[1,2] %	Unrated %	Investment grade or secured[1,2] %	Unrated %
Trade and other receivables				
Rate regulated customers[3]	-	100%	-	100%
Distribution and Transmission customers	88%	12%	87%	13%
Water customers	46%	54%	29%	71%
Cash and cash equivalents	100%	-	100%	-
Loans and other long-term receivables	100%	-	100%	-

[1] Credit ratings are based on the Company's internal criteria and analyses, which take into account, among other factors, the investment grade ratings of external credit rating agencies when available.

[2] Certain trade receivables and other financial assets are considered to have low credit risk as they are either secured by the underlying assets, secured by other forms of credit enhancements, or the counterparties are local or provincial governments.

[3] Rate-regulated customer trade receivables include distribution and transmission, water sales, rate-regulated and default electricity supply receivables. Under the Electric Utilities Act (Alberta), the Company provides electricity supply in its service area to residential, agricultural and small commercial customers at regulated rates, and to those commercial and industrial customers who have not chosen a competitive offer and consume electricity under default supply arrangements.

(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Rate-regulated customer credit risk

Credit risk exposure for residential and commercial customers under default electricity and regulated water supply rates is generally limited to amounts due from customers for electricity and water consumed but not yet paid for. The Company mitigates credit risk from counterparties under RRT electricity supply rates by performing credit checks and on higher risk customers, by taking pre-payments or cash deposits. For rate-regulated customers, regulations allow for the recovery of a percentage of unforecasted credit losses through a deferral account. The Company monitors credit risk for this portfolio at the gross exposure level.

Trade and other receivables and allowance for doubtful accounts

Trade and other receivables consist primarily of amounts due from retail customers including commercial customers, other retailers, government-owned or sponsored entities, regulated public utility distributors, and other counterparties. Commercial customer contracts provide for performance assurances including letters of credit, irrevocable guarantees and bonds. For other retail customers, represented by a diversified customer base, credit losses are generally low and the Company provides for an allowance for doubtful accounts on estimated credit losses.

The aging of trade and other receivables was:

December 31, 2013	Gross trade and other receivables	Allowance for doubtful accounts	Net trade and other receivables
Current[1]	$ 282	$ -	$ 282
Outstanding 31 to 60 days	19	-	19
Outstanding 61 to 90 days	9	2	7
Outstanding more than 90 days	16	2	14
	$ 326	$ 4	$ 322

December 31, 2012	Gross trade and other receivables	Allowance for doubtful accounts	Net trade and other receivables
Current[1]	$ 296	$ -	$ 296
Outstanding 31 to 60 days	29	-	29
Outstanding 61 to 90 days	7	2	5
Outstanding more than 90 days	5	2	3
	$ 337	$ 4	$ 333

[1] Current amounts represent trade and other receivables outstanding up to 30 days. Amounts outstanding for more than 30 days are considered past due.

Bad debt expense of $7 million (2012 – $9 million) recognized in the year relates to customer amounts that the Company determined would not be fully collectable. Allowances for doubtful accounts are determined by each business unit, within each operating segment, considering the unique factors of the business unit's trade and other receivables. Allowances and write-offs are determined by each business unit, either by applying specific risk factors to customer groups' aged balances in trade and other receivables or by reviewing material accounts on a case-by-case basis. Reductions in trade and other accounts receivable and the related allowance for doubtful accounts are recorded when the Company has determined that recovery is not possible.

(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

The changes in the allowance for doubtful accounts were as follows:

	2013	2012
Balance, beginning of year	$ 4	$ 4
Additional allowances created	6	8
Recovery of receivables	1	1
Receivables written off	(7)	(9)
Balance, end of year	$ 4	$ 4

At December 31, 2013, the Company held $21 million (2012 – $20 million) of customer deposits for the purpose of mitigating the credit risk associated with trade and other receivables from residential and business customers.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's liquidity is managed centrally by the Company's Treasury function. The Company manages liquidity risk through regular monitoring of cash and currency requirements by preparing short-term and long-term cash flow forecasts and also by matching the maturity profiles of financial assets and liabilities to identify financing requirements. The financing requirements are addressed through a combination of committed and demand revolving credit facilities and financings in public or private debt capital markets.

The Company has revolving extendible credit facilities, which are used principally for the purpose of backing the Company's commercial paper program and providing letters of credit, as outlined below:

December 31, 2013	Expiry	Total facilities	Banking commercial paper issued	Letters of credit and other facility draws	Net amounts available
Committed					
Syndicated bank credit facility[1]	November 2016	$ 400	$ -	$ 100	$ 300
Syndicated bank credit facility Tranche A	November 2016	250	-	-	250
Syndicated bank credit facility Tranche B	November 2018	250	-	-	250
Total committed		900	-	100	800
Uncommitted					
Bank line of credit	No expiry	25	-	-	25
Bank line of credit	November 2014	21	-	-	21
Total uncommitted		46	-	-	46
		$ 946	$ -	$ 100	$ 846

EPCOR UTILITIES INC.

Notes to the Consolidated Financial Statements
(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Years ended December 31, 2013 and 2012

December 31, 2012	Expiry	Total facilities	Banking commercial paper issued	Letters of credit and other facility draws	Net amounts available
Committed					
Syndicated bank credit facility[1]	November 2015	$ 400	$ -	$ 139	$ 261
Syndicated bank credit facility Tranche A	November 2015	250	-	-	250
Syndicated bank credit facility Tranche B	November 2017	250	-	-	250
Total committed		900	-	139	761
Uncommitted					
Bank line of credit	No expiry	25	-	-	25
Bank line of credit	November 2013	20	-	-	20
Total uncommitted		45	-	-	45
		$ 945	$ -	$ 139	$ 806

[1] Restricted to letters of credit.

The Company has credit ratings of BBB+ and A (low), assigned by Standard and Poor's and DBRS Limited, respectively. The extension feature of EPCOR's committed syndicated bank credit facilities give the Company the option each year to re-price and extend the terms of the facilities by one or more years subject to agreement with the lending syndicate.

The Company has a Canadian shelf prospectus under which it may raise up to $1 billion of debt with maturities of not less than one year. At December 31, 2013, the available amount remaining under this shelf prospectus was $1 billion. The shelf prospectus expires in December 2015.

The undiscounted cash flow requirements and contractual maturities of the Company's financial liabilities, including interest payments, are as follows:

At December 31, 2013:

	2014	2015	2016	2017	2018	2019 and thereafter	Total contractual cash flows
Trade and other payables[1]	$ 218	$ -	$ -	$ -	$ -	$ -	$ 218
Loans and borrowings	15	15	145	15	413	1,382	1,985
Interest payments on loans and borrowings	118	117	112	108	96	1,294	1,845
Other liabilities	22	1	1	1	1	7	33
Gold Bar transfer fee liability[2]	6	1	-	-	-	-	7
	$ 379	$ 134	$ 258	$ 124	$ 510	$ 2,683	$ 4,088

EPCOR UTILITIES INC.

Notes to the Consolidated Financial Statements
(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Years ended December 31, 2013 and 2012

At December 31, 2012:

	2013	2014	2015	2016	2017	2018 and thereafter	Total contractual cash flows
Trade and other payables[1]	$ 274	$ -	$ -	$ -	$ -	$ -	$ 274
Loans and borrowings	18	14	15	145	15	1,777	1,984
Interest payments on loans and borrowings	122	117	117	112	107	1,379	1,954
Other liabilities	21	1	1	1	1	7	32
Gold Bar transfer fee liability[2]	10	6	1	-	-	-	17
	$ 445	$ 138	$ 134	$ 258	$ 123	$ 3,163	$ 4,261

[1] Excluding accrued interest on loans and borrowings of $27 million (2012 – $29 million).

[2] In 2009, the City transferred Gold Bar to EPCOR. In exchange for the net assets transferred, EPCOR agreed to pay a total transfer fee of $75 million, of which $7 million (2012 – $17 million) remains payable.

The Company's undiscounted cash flow requirements and contractual maturities in the next twelve months of $379 million (2012 – $445 million) are expected to be funded from operating cash flows, partnership distributions from Capital Power L.P., interest and principal payments related to the unsecured long-term receivable from Capital Power, commercial paper issuance and the Company's credit facilities. In addition, the Company may issue medium-term notes or sell a portion of the investment in Capital Power or other assets to fund its obligations or investments. The key factors in determining whether to issue medium-term notes or sell a portion of the investment in Capital Power are the expected interest rates for medium-term notes, the estimated demand by investors for EPCOR debt, the state of debt capital markets generally, the quoted price of Capital Power common shares, potential limits posed by the underlying agreements with Capital Power, the estimated demand by equity investors, and the state of equity capital markets.

The Company has long-term loans receivable from Capital Power which effectively match certain of the long-term loans and borrowings above. The following are the undiscounted maturities of the long-term loans receivable and interest payments from Capital Power at December 31, 2013:

	2014	2015	2016	2017	2018	2019 and thereafter	Total
Long-term loans receivable from Capital Power (note 14)	$ 8	$ 9	$ 139	$ 10	$ 174	$ -	$ 340
Interest payments on loans receivable from Capital Power	22	21	16	11	6	-	76
	$ 30	$ 30	$ 155	$ 21	$ 180	$ -	$ 416

The following are the undiscounted maturities of the long-term loans receivable and interest payments from Capital Power at December 31, 2012:

	2013	2014	2015	2016	2017	2018 and thereafter	Total
Long-term loans receivable from Capital Power (note 14)	$ 14	$ 8	$ 9	$ 139	$ 10	$ 174	$ 354
Interest payments on loans receivable from Capital Power	23	22	21	16	11	6	99
	$ 37	$ 30	$ 30	$ 155	$ 21	$ 180	$ 453

(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

The payments from Capital Power fund a portion of the Company's contractual debt obligations. Should Capital Power be unable to make its scheduled payments to EPCOR or reduces its distributions, then the Company will rely more heavily on its credit facilities and its ability to issue medium-term notes or potentially sell a portion of its interest in Capital Power to fund its obligations.

31. Capital management

The Company's primary objectives when managing capital are to safeguard the Company's ability to continue as a going concern, pay dividends to its shareholder in accordance with the Company's dividend policy, maintain a suitable credit rating, and to facilitate the acquisition or development of projects in Canada and the U.S. consistent with the Company's growth strategy. The Company manages its capital structure in a manner consistent with the risk characteristics of the underlying assets. This overall objective and policy for managing capital remained unchanged in the current year from the prior year.

The Company manages capital through regular monitoring of cash and currency requirements by preparing short-term and long-term cash flow forecasts and reviewing monthly financial results. The Company matches the maturity profiles of financial assets and liabilities to identify financing requirements to help ensure an adequate amount of liquidity.

The Company considers its capital structure to consist of long-term and short-term debt net of cash and cash equivalents and shareholder's equity. The following table represents the Company's total capital:

	2013	2012
Loans and borrowing (including current portion) (note 20)	$ 1,972	$ 1,970
Cash and cash equivalents	(130)	(232)
Net debt	1,842	1,738
Total equity (note 3(b))	2,262	2,222
Total capital	$ 4,104	$ 3,960

EPCOR has the following externally imposed financial covenants on its capital as a result of its credit facilities and outstanding debt:

- Maintenance of modified consolidated net tangible assets to consolidated net tangible assets ratio, as defined in the debt agreements, of not less than 85%;
- Maintenance of consolidated senior debt to consolidated capitalization ratio, as defined in the debt agreements, of not more than 70%;
- Maintenance of interest coverage ratio, as defined in the debt agreements, of not less than 1.75 to 1.00 if the Company's credit rating falls below investment grade; and
- Limitation on external debt issued by subsidiaries.

These capital restrictions are defined in accordance with the respective agreements. For the year ended December 31, 2013, the Company complied with all externally imposed capital restrictions.

32. Commitments and contingencies

The following are EPCOR's commitments and contingencies not otherwise disclosed in these financial statements:

(a) The Company has committed to various distribution and transmission projects through 2014, as directed by the AESO. The estimated remaining project costs are $9 million (2012 – $13 million). The Company has incurred costs to date of $4 million (2012 – $2 million).

(b) The Company has a remaining capital commitment in the Heartland Transmission Project of $9 million (2012 - $105 million).

(c) Water Arizona maintains agreements with the Central Arizona Water Conservation District for the purchase and transportation of water. These agreements are for terms of 100 years expiring at the end of 2107. Under the terms of these agreements, certain minimum payments of approximately $0.5 million are due each year in order to maintain the agreements until they expire. Additional payment obligations related to orders placed in the fall of each year for water to be purchased and transported the following year, commit the Company only for the amount of the water ordered. The obligations are $8 million in total from 2014 through 2018 (2013 through 2017 - $8 million) and $2 million in aggregate thereafter (2018 and thereafter - $3 million).

(d) The Company has entered into an agreement for billing and customer care services for Water Arizona and Water New Mexico. The contract term is ten years, expiring on August 31, 2021. The payments are estimated to be $20 million in total from 2014 through 2018 (2013 through 2017 – $21 million) and $8 million in aggregate thereafter (2018 and thereafter – $10 million).

(e) The Company and its subsidiaries are subject to various legal claims that arise in the normal course of business. Management believes that the aggregate contingent liability of the Company arising from these claims is immaterial and therefore no provision has been made.

33. Segment disclosures

The Company operates in the following reportable business segments, which follow the organization, management and reporting structure within the Company.

Water Services

Water Services is primarily involved in the treatment, distribution and sale of water and the treatment of wastewater within Edmonton and other communities throughout Western Canada and the Southwestern U.S.

Distribution and Transmission

Distribution and Transmission is involved in the transmission and distribution of electricity within Edmonton. This segment also provides commercial services including the maintenance and repair of the City-owned street lighting and transportation support facilities.

Energy Services

Energy Services is primarily involved in the provision of regulated tariff electricity service and default supply electricity services to residential, small commercial and agricultural customers in Alberta.

Corporate

Corporate reflects the costs of the Company's net unallocated corporate office expenses and financing revenues on the long-term receivable from Capital Power. Corporate holds the investment in Capital Power.

EPCOR UTILITIES INC.

Notes to the Consolidated Financial Statements
(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Years ended December 31, 2013 and 2012

Lines of business information

Year ended December 31, 2013	Water Services	Distribution & Transmission	Energy Services	Corporate	Intersegment Elimination	Consolidated
External revenues and other income	$ 520	$ 387	$ 1,022	$ 26	$ -	$ 1,955
Inter-segment revenue	-	152	11	-	(163)	-
Total revenues and other income	520	539	1,033	26	(163)	1,955
Electricity purchases and system access fees	-	154	937	-	(141)	950
Other raw materials and operating charges	118	36	-	1	(11)	144
Staff costs and employee benefits expenses	118	101	23	38	-	280
Depreciation and amortization	72	51	7	14	1	145
Franchise fees and property taxes	23	66	-	-	-	89
Other administrative expenses	23	13	22	12	(12)	58
Foreign exchange gain	-	-	-	(1)	-	(1)
Operating expenses	354	421	989	64	(163)	1,665
Operating income (loss) before corporate charges	166	118	44	(38)	-	290
Corporate (charges) income	(26)	(28)	(12)	66	-	-
Operating income	140	90	32	28	-	290
Finance expenses	(78)	(31)	(8)	10	-	(107)
Equity share of income of Capital Power	-	-	-	66	-	66
Loss on sale of a portion of investment in Capital Power	-	-	-	(16)	-	(16)
Impairment of investment in Capital Power	-	-	-	(43)	-	(43)
Income tax expense	(5)	-	(6)	(4)	-	(15)
Net income	$ 57	$ 59	$ 18	$ 41	$ -	$ 175
Total assets	$ 2,618	$ 1,674	$ 310	$ 845	$ -	$ 5,447
Investment in Capital Power	-	-	-	385	-	385
Total liabilities	2,022	914	227	22	-	3,185
Capital additions	153	276	5	10	-	444

EPCOR UTILITIES INC.

Notes to the Consolidated Financial Statements
(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Years ended December 31, 2013 and 2012

Year ended December 31, 2012	Water Services	Distribution & Transmission	Energy Services	Corporate	Intersegment Elimination	Consolidated
External revenues and other income	$ 465	$ 352	$ 1,114	$ 28	$ -	$ 1,959
Inter-segment revenue	-	164	11	-	(175)	-
Total revenues and other income	465	516	1,125	28	(175)	1,959
Electricity purchases and system access fees	-	134	1,024	-	(152)	1,006
Other raw materials and operating charges	108	45	1	1	(10)	145
Staff costs and employee benefits expenses	111	92	22	55	-	280
Depreciation and amortization	65	46	8	14	-	133
Franchise fees and property taxes	21	63	-	-	-	84
Other administrative expenses	20	13	26	11	(13)	57
Foreign exchange loss	-	-	-	2	-	2
Operating expenses	325	393	1,081	83	(175)	1,707
Operating income (loss) before corporate charges	140	123	44	(55)	-	252
Corporate (charges) income	(33)	(39)	(15)	87	-	-
Operating income	107	84	29	32	-	252
Finance expenses	(71)	(31)	(9)	(5)	-	(116)
Equity share of income of Capital Power	-	-	-	41	-	41
Loss on sale of a portion of investment in Capital Power	-	-	-	(36)	-	(36)
Impairment of investment in Capital Power	-	-	-	(124)	-	(124)
Income tax recovery (expense)	(4)	-	(5)	11	-	2
Net income (loss)	$ 32	$ 53	$ 15	$ (81)	$ -	$ 19
Total assets [1]	$ 2,376	$ 1,413	$ 323	$ 1,330	$ (18)	$ 5,424
Investment in Capital Power	-	-	-	621	-	621
Total liabilities [1]	1,886	793	273	268	(18)	3,202
Capital additions	126	222	5	7	-	360

[1] $332 million in total liabilities have been reclassified to current asset to conform with the presentation of the current year.

(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Geographic information

	Year ended December 31, 2013				Year ended December 31, 2012			
	Canada	U.S.	Inter-segment eliminations	Total	Canada	U.S.	Inter-segment eliminations	Total
External revenues and other income	$ 1,808	$ 147	$ -	$ 1,955	$ 1,833	$ 126	$ -	$1,959
Inter-segment revenues	163	-	(163)	-	175	-	(175)	-
Total revenues and other income	$ 1,971	$ 147	$ (163)	$ 1,955	$ 2,008	$ 126	$ (175)	$1,959

Non-current assets

	December 31, 2013	December 31, 2012
Canada	$ 4,190	$ 4,109
U.S.	753	711
	$ 4,943	$ 4,820

34. Acquisition of Water Arizona and Water New Mexico

On January 31, 2012, the Company completed the acquisition of 100% of the stock of Arizona-American Water Company (renamed EPCOR Water Arizona Inc.) and New Mexico-American Water Company, Inc. (renamed EPCOR Water New Mexico Inc.) from American Water Works Company, Inc. for cash consideration of $460 million (US$459 million) and the assumption of $9 million (US$9 million) in long-term debt. Water Arizona and Water New Mexico are public utility companies engaged principally in the purchase, treatment, distribution and sale of water to approximately 126,000 customers in ten water utility districts and wastewater treatment and related services to approximately 52,000 customers in five wastewater utility districts in the states of Arizona and New Mexico. This investment provides the Company with a strong hub in the Southwestern U.S., consistent with the Company's strategic plan for expansion.

Significant judgment was applied in the determination of the fair value of the assets acquired and liabilities assumed, the allocation of the purchase price to those assets and liabilities, and the determination of goodwill. The fair value assessment was supported by a third party valuation. The valuation employed three standard valuation methodologies. Discounted cash flows were used to arrive at enterprise values, using a discount rate of 7% based on prevailing interest rates and the capital structures of the acquired businesses. Other key assumptions were future growth rates and asset terminal values. Depreciated replacement cost techniques were used to estimate the fair values of the non-financial assets acquired. Market comparators were used to determine other financial assets and liabilities. The allocation of the purchase price was determined from the valuation, and where necessary by allocation to assets and liabilities based on relative fair values. Goodwill was estimated based on the applicable incremental benefits of the acquisition, including expected growth in the underlying rate base and the assembled workforce that came with the acquired companies. A 1% increase in the discount rate would have resulted in a reduction of the estimated fair value and increase in the amount of goodwill of $69 million.

EPCOR UTILITIES INC.

Notes to the Consolidated Financial Statements
(Tabular amounts in millions of Canadian dollars unless otherwise indicated)

Years ended December 31, 2013 and 2012

The purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair values in Canadian dollars as follows:

Trade and other receivables	$	11
Intangible assets		94
Goodwill		25
Property, plant and equipment		515
Trade and other payables		(5)
Loans and borrowings		(9)
Deferred revenue		(137)
Provisions (note 3(n))		(33)
Other non-current liabilities		(1)
	$	460

The carrying amount of the acquired trade and other receivables and payables approximate the fair value due to their short-term nature.

The $25 million of goodwill arising from the acquisition consisted of the value of an assembled skilled workforce, the expectation of future cash flows and rate recoveries, and the benefits to the Company's growth strategies and future synergies which may result from the Company's expanded operations in the U.S.

The loans and borrowings were repaid in February 2012.

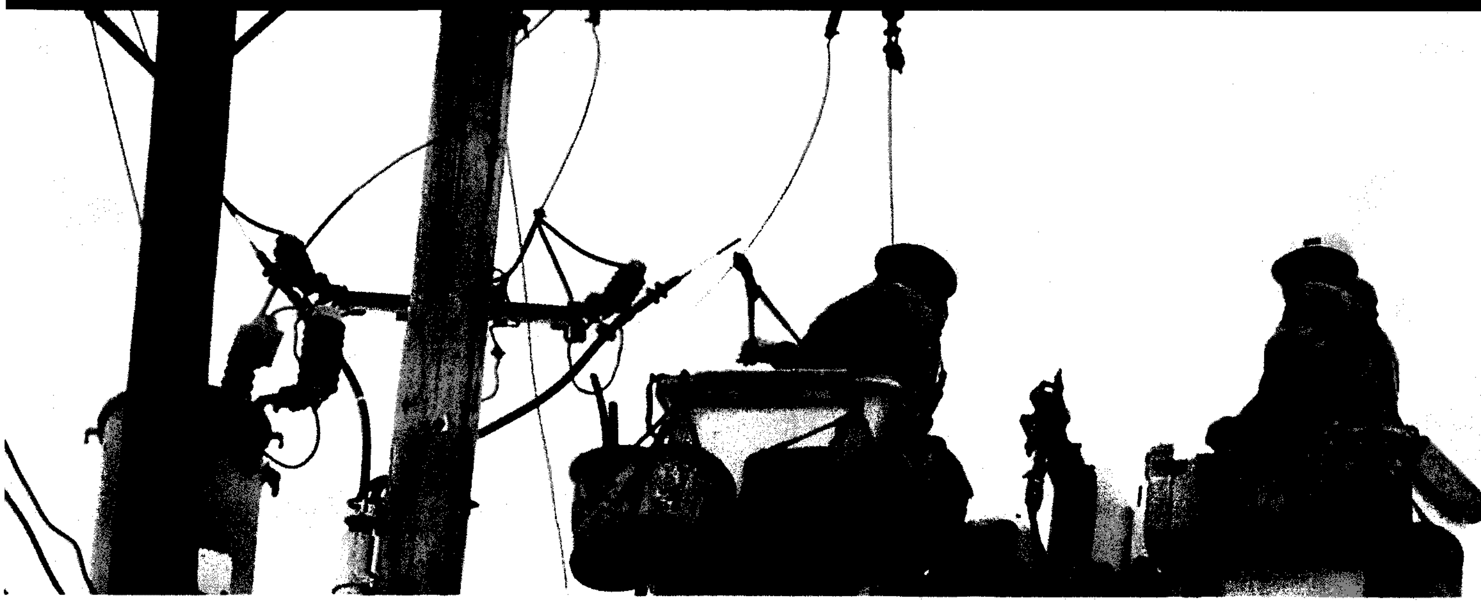
The current amount of provisions for estimated refundable contributions is $3 million.

In October 2012, under the terms of the agreement to acquire Water Arizona and Water New Mexico, the Company exercised its option to file jointly with the vendor a U.S. Internal Revenue Service tax election to treat the acquisition as an asset purchase for income tax purposes. Among other things, this election permits the goodwill to be deductible for income tax purposes.

Revenues of $117 million and net income of $24 million contributed by Water Arizona and Water New Mexico from the date of acquisition to December 31, 2012 are included in the consolidated income statement. The consolidated income statement would have included estimated revenue of $124 million and estimated net income of $24 million to December 31, 2012 had the Company owned the Water Arizona and Water New Mexico operations from the beginning of 2012.

EPCOR Utilities Inc.

Investor Presentation
March 18, 2014



Guy Bridgeman
Senior Vice President and Chief Financial Officer

Duane Sommerfeld
Treasurer

Bryan Kornfeld
Senior Manager, Corporate Finance

PROVIDING MORE EPCOR

Forward Looking Information

Certain information in this presentation and in oral answers to questions may contain forward-looking information statements or forward-looking information together, "forward-looking information". Forward-looking information is based on current expectations, estimates and projections that involve a number of risks which could cause actual results to vary and in some instances to differ materially from those anticipated by EPCOR. Forward-looking information is based on the estimates and opinions of management at the time the information is presented. Actual results could differ materially from conclusions, forecasts or projections in the forward-looking information, and certain material factors or assumptions were applied in drawing conclusions or making forecasts or projections as reflected in the forward-looking information. Additional information about the material factors and risks that could cause actual results to differ materially from the conclusions, forecasts or projections in the forward-looking information and the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection as reflected in the forward-looking information is contained in the most recent interim and annual Management Discussion and Analysis filed on SEDAR (www.sedar.com) and EPCOR's website (www.epcor.com).

Readers are cautioned not to place undue reliance on forward-looking statements as actual results could differ materially from the plans, expectations, estimates or intentions expressed in the forward-looking statements. Except as required by law, EPCOR assumes no obligation to update any forward-looking information, should circumstances or management's estimates or opinions change, or any other reason.

Table of Contents

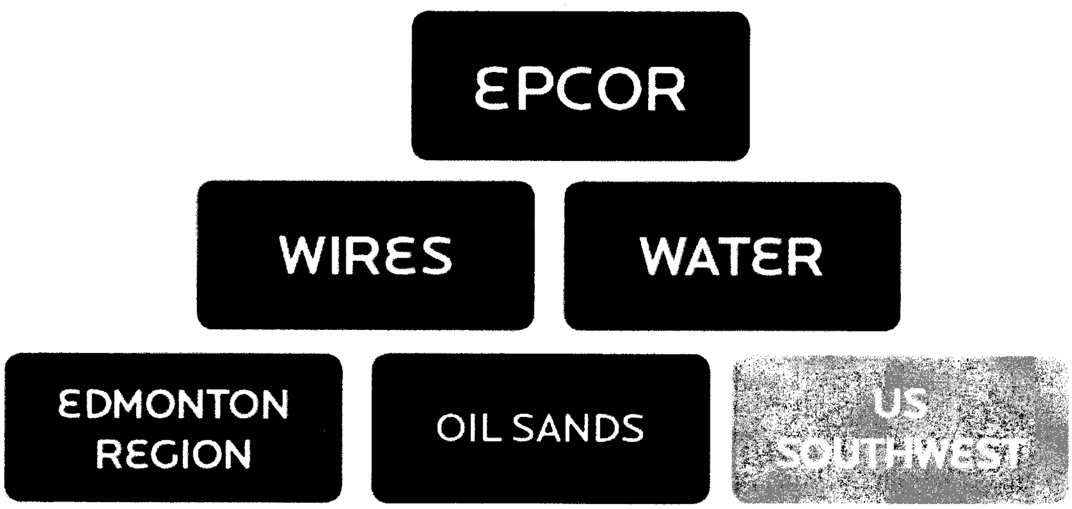
PROVIDING MORE EPCOR

EPCOR Overview

- Headquartered in Edmonton, predecessor company began operating in 1891. Currently employ approximately 2,700 employees.
- Stand alone corporation as of Jan 1, 1996; sole shareholder is the City of Edmonton (CoE).
- Fully independent Board of Directors, EPCOR operates at arms length from the Shareholder with a mandate to invest and operate on commercial terms.
- Essentially a narrowly-held private company.
- Ownership stake of 19% in Capital Power; reduced from 72% in mid-2009 with intentions to sell all or substantially all of the remaining interest over time depending on requirements and market conditions.
- Public issuer of debt only. As a result, classified as a Venture Issuer.
- Stand alone credit rating is BBB+ positive (S&P) and A (low) stable (DBRS) – no credit support from the City.
- Further information on SEDAR.

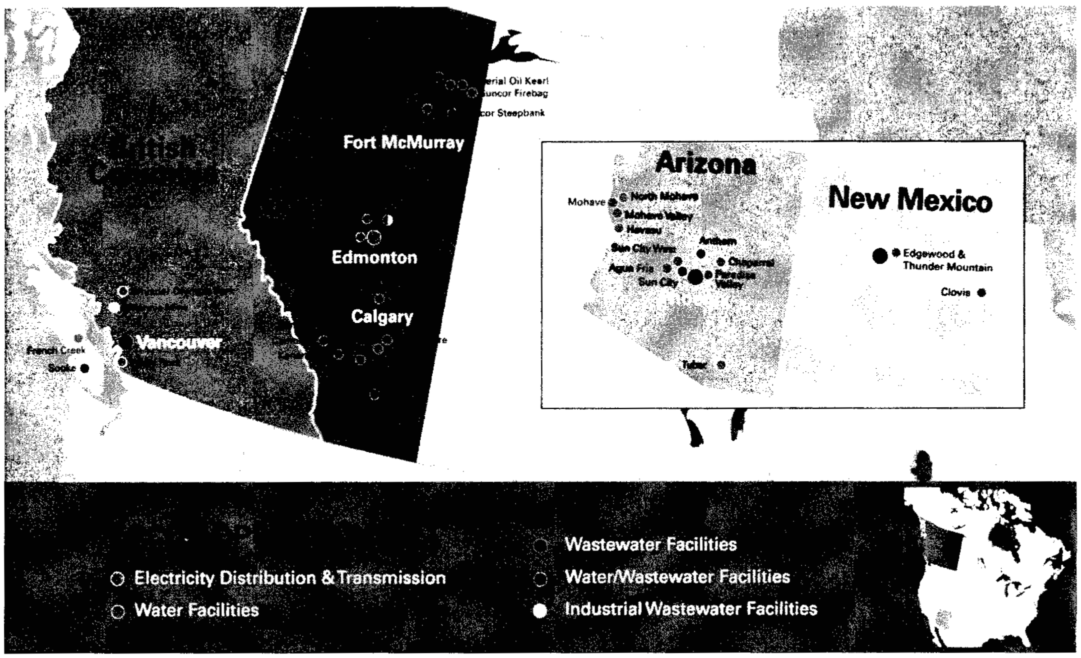
EPCOR Overview

1. One company
2. Two key business lines: water and wires
3. Three regions: Edmonton region, Alberta's oil sands and Southwestern U.S.



EPCOR Operations

- Build, own and operate electrical transmission and distribution networks, water and wastewater treatment facilities and infrastructure in Canada and the United States.
- Serve over 75 communities in Alberta and British Columbia and 22 in Arizona and New Mexico through EPCOR Water (USA).



Water Services

Industrial Water and Wastewater

Alberta

- Own 3 water treatment and 4 wastewater treatment facilities at Suncor's Fort McMurray Oil Sands operations under long-term contracts.
- Operate 4 water treatment and 4 wastewater treatment facilities at Suncor and Shell Albian Sands oil sands operations in Fort McMurray.
- Treated wastewater from the Gold Bar WWTP sold to Suncor refinery.

British Columbia

- Operate the Britannia Mine wastewater treatment facility.

Electricity Services

Electricity Distribution & Transmission

- Distribute to approximately 360,000 sites within Edmonton.
- 203km of aerial transmission line and underground transmission cable.
- Own and operate 36 substations.
- 287 distribution feeders.
- Regulated by the Alberta Utilities Commission – Distribution (PBR) / Transmission (cost of service).

Energy Services

- Provide Regulated Rate Option (procurement, billing and customer care) for approximately 600,000 Edmonton and Fortis Alberta customers, regulated by the Alberta Utilities Commission.
- Provide billing and customer care for approximately 250,000 EPCOR water customers in Edmonton and City of Edmonton drainage and waste collection services.

Technologies

- Provide design, construction and maintenance services for street lighting and traffic signals in Edmonton, Calgary and other municipalities.
- Provide operating, maintenance and construction services for the electrical infrastructure for Light Rail Transit system in Edmonton and Calgary.

Management and Governance

Strategic Positioning

- Annual in-depth planning process.
- Delivering on stated strategy to sell down interest in Capital Power and invest in regulated and long-term contracted assets.

Risk Management

- Comprehensive financial management policies and enterprise risk management system geared to identifying, understanding and mitigating risk.
- Disciplined approach to operations, business development and capital placement.
- Fully staffed Regulatory and Government Relations teams.

Organizational Effectiveness

- Experienced management team with considerable expertise.

Governance

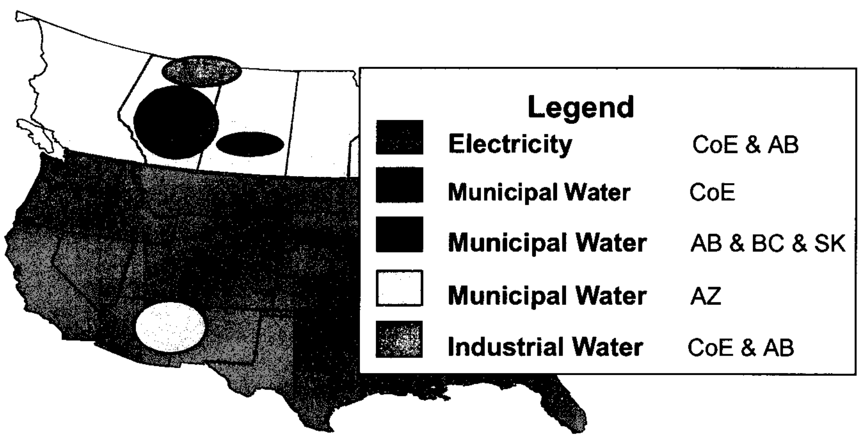
- Independent, experienced Board of Directors.

Key Risks and Mitigation

Risk	Mitigation
Reliance on Capital Power	▪ Positive outlook for Capital Power as economy improves with growing regional power needs. ▪ Continued monetization of EPCOR's equity interest and reduction of receivable on back-to-back debt.
Operational	▪ Government and industry standard testing, including: 28,000 water treatment process control tests, 100,000 internal lab water quality tests and more than 5,000 tests for 220 scientific parameters sent to external laboratories. ▪ Technology enabled monitoring and control systems increase security and reliability for electricity and water distribution network.
Political/ Regulatory	▪ Employ staged market penetration approach for industrial water that will facilitate broader opportunities over time including acquiring potable water and wastewater infrastructure at existing facilities. ▪ Fully staffed Regulatory and Government Relations teams.
Strategy Execution	▪ For each new business development project, EPCOR seeks to ensure project success by addressing project risks, including events and external factors, as part of its due diligence process.
Weather	▪ Exposures associated with extreme weather are partly mitigated through our insurance programs.

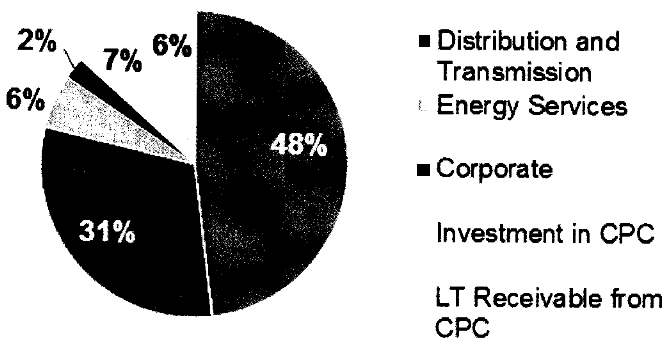
Strategic Direction

- Continue to de-risk – in final stages of reducing Capital Power holdings and exposure to generation.
- Continue to invest in EPCOR's core water and wires utility infrastructure businesses.
- Look to build out existing hubs and establish new ones through acquisition.
- Pursue rate-regulated and long-term contracted investment opportunities.
- Continue to build reputation as a trusted developer and operator of utility assets.
- Deliver stable cash flow and maximize returns on existing assets.
- Preserve or improve financial strength and credit ratings.

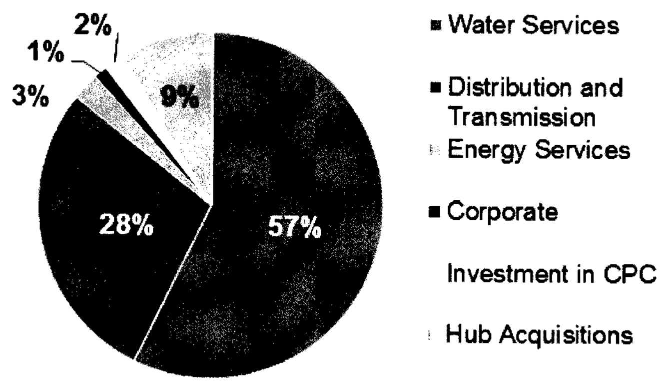


EPCOR Asset Portfolio

2013A Asset Base- $5,447 Million



2018F Asset Base



Water Canada Highlights

January 2013

Evan-Thomas water and wastewater facility:

- Construction commences.
- Located in the Kananaskis Village area of Alberta.
- Completion expected in 2014.
- EPCOR will operate facility for 10 years after construction.

October 2013

Regina waste water treatment plant upgrade project:

- Development by way of P3 structure.
- Shortlisted to submit RFP with final bids due May 2014.
- Under design-build-finance-operate-maintain contract, proponent required to finance up to 50% of cost over 30 years and provide management of existing facilities and related decommissioning.
- Proponent will be selected shortly after bid date.
- Construction to commence July 2014 with in-service date of January 2017.

Water USA Highlights

- Follow-on tuck-in acquisitions according to longer-term plan.
  - $3.3 million of tuck-in acquisitions in 2013 (North Mohave Valley Corporation in Arizona and Thunder Mountain Water Company in New Mexico).
  - Acquisition of customer rights in 7,000-acre area wastewater and recycled water services project along the Loop 303 Corridor within the City of Glendale, Arizona.
- Stronger Financial Performance.
  - Rate increases, sales in higher rate blocks and improved operational efficiency resulted in strong financial performance.
- Improving Regulatory Environment - Arizona Corporation Commission (ACC).
  - July 2012 ACC approved $79 million addition to rate base for water treatment plant three months earlier than expected.
  - January 2013 the ACC approved and adopted the System Improvement Benefits mechanism in the Arizona Water general rate case (earlier recovery of revenue for eligible sustaining capital).

Distribution & Transmission Highlights

Distribution

- Favorable electricity distribution Capital Tracker Decision received in December 2013.

Transmission - Heartland Project

- 65km double-circuit 500 kV transmission line connects the Heartland region to existing 500 kV transmission infrastructure in south Edmonton.
- In service December 2013 at 240kV, transition to 500kV in 2014.
- EPCOR and AltaLink have filed an application to partition the assets according to their respective service territories.

West Fort McMurray Transmission Line

- Alberta Government legislated that certain transmission infrastructure be tendered rather than direct assigned to incumbent Transmission Facility Owner.
- 490 km, 500 kV transmission line from Genesee to Fort McMurray.
- AESO estimated cost is $1.6 billion.
- NorSpan Partners L.P. was formed with equity partner LS Power and has been selected as one of five qualified consortia to submit bids in November 2014.

NORSPAN

Energy Services Highlights

February 2013

Energy Price Setting Plan (EPSP) Amendment

- Amending agreement was filed in April 2013 for approval by the Alberta Utilities Commission and subsequently approved in August 2013.
  - The amendments incorporate a 120 day procurement window vs. the previous 45 day window.
  - Provides an increased risk margin to EPCOR – adjusted quarterly
- The revised EPSP expires in June 2014; a new EPSP has been submitted for years 2014-2018.

Technologies Highlights

2013

Overhead catenary installation

- North LRT Extension for City of Edmonton.

2014

Light the Bridge LED lighting installation

- Project design and construction management.

2011 - 2016

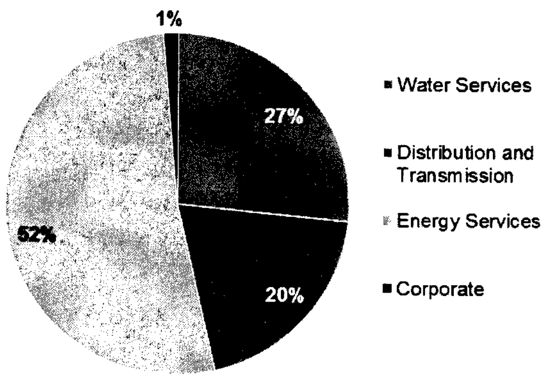
Alberta Road Weather Information System Installation.

- Alberta Transportation

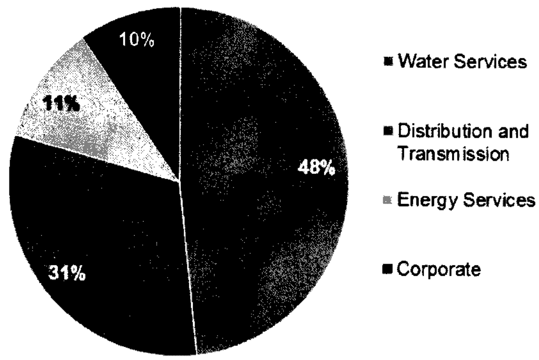
LIGHT THE BRIDGE

2013 Financial Overview[1]

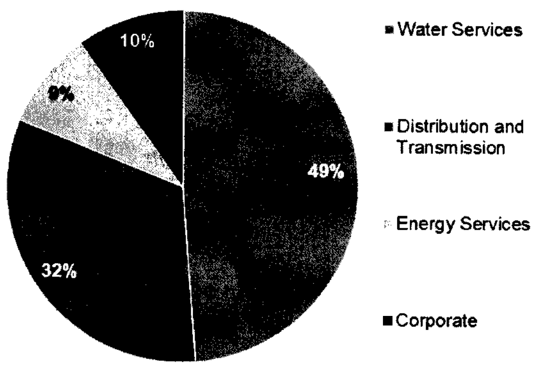
Consolidated Revenue - $1,955 Million



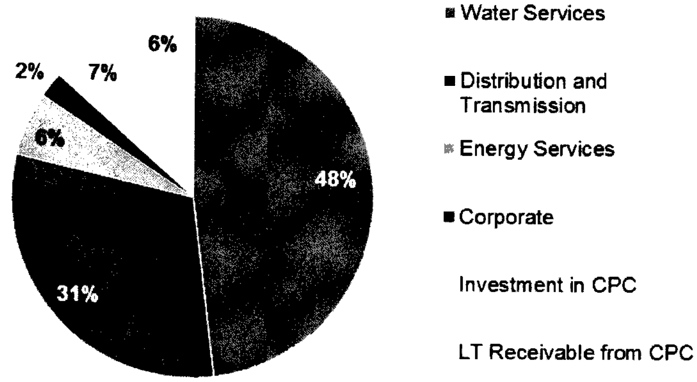
Consolidated Operating Income - $290 Million



Consolidated EBITDA - $435 Million



Consolidated Total Assets - $5,447 Million



[1] *All amounts in millions of CDN dollars, as of December 31, 2013*

Financing and Liquidity

- Syndicated bank credit facility of $500 million (two tranches of $250 million).
  - Supporting $500 million commercial paper program.
  - Current maturity dates of November 2016 and November 2018.
- Committed letter of credit facility of $400 million to November 2016.
- Demand facilities for approximately $47 million.
  - $25 million CAD, $22 million USD.
- Strategy in place to monetize all or a significant portion of interest in Capital Power
  - $202 million transacted in October 2013.
- Available medium-term note (MTN) debt capacity of $1 billion under short-term base shelf prospectus recently renewed to December 2015.
- Accessing debt capital markets.
  - Market tone is very constructive for additional EPCOR debt issuance.
  - February 2012 $300 million MTN (30-year) was oversubscribed.

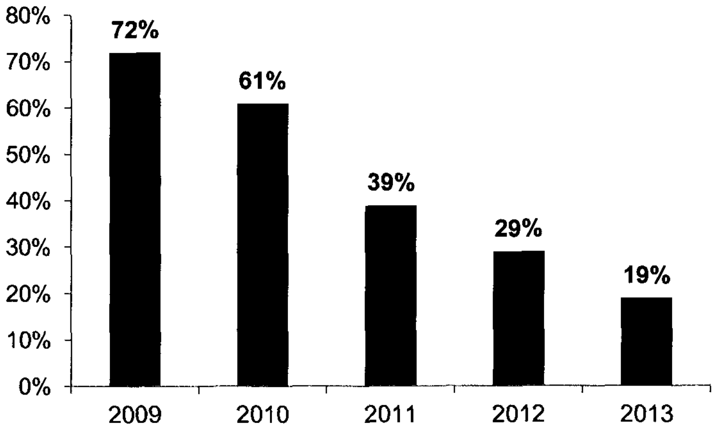
Financial Strategies & Policies

- Target adequate liquidity profile – rated no less than adequate under Standard & Poors criteria.
- Capital expenditures will be funded with a mix of debt and equity in proportions necessary to maintain current investment grade credit rating.
- Debt profile will be a blend of short and long-term debt but heavily weighted to long-dated maturities to achieve match with asset lives and sourced at lowest economic cost with due consideration to interest rate and foreign exchange risks.
- Continuously evaluate quasi-equity forms of financing as appropriate to maintain strong balance sheet.
- Policies in place for foreign exchange and interest rate hedging as, and when, appropriate.
- Dividend policy has been amended effective 2013 with the annual amount set at the 2012 level of $141 million until a change is recommended by the Board and approved by the Shareholder.

Interest in Capital Power

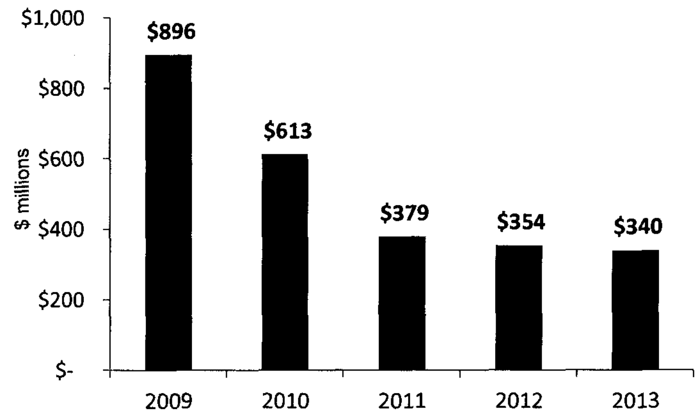
EPCOR plans to divest all or a significant portion of its interest in Capital Power over time as market conditions permit.

Equity Interest



- Sale of Capital Power LP units in 2010, 2011, 2012 and 2013
  - Approximately $875 million in total gross proceeds.
- Capital Power sale of treasury common shares in 2011.

Back-to-Back Debt (B2B)

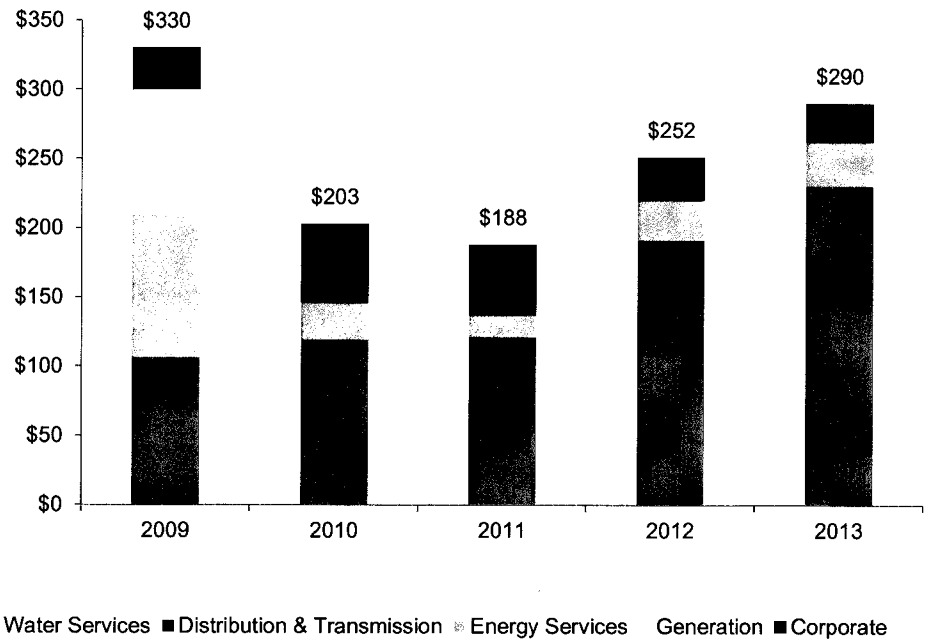


- B2B debt owed to EPCOR by Capital Power relates to generation assets transferred to Capital Power LP in 2009.
- Remainder to be repaid in full by June 2018.
  - Significant Payments: 2016 - $140 million; 2018 - $174 million.

Historical Operating Income

While the divestiture of EPCOR's power generation business decreased revenue and operating income, it has reduced the volatility of EPCOR's Operating Margin.

Operating Income
Breakdown by Segment

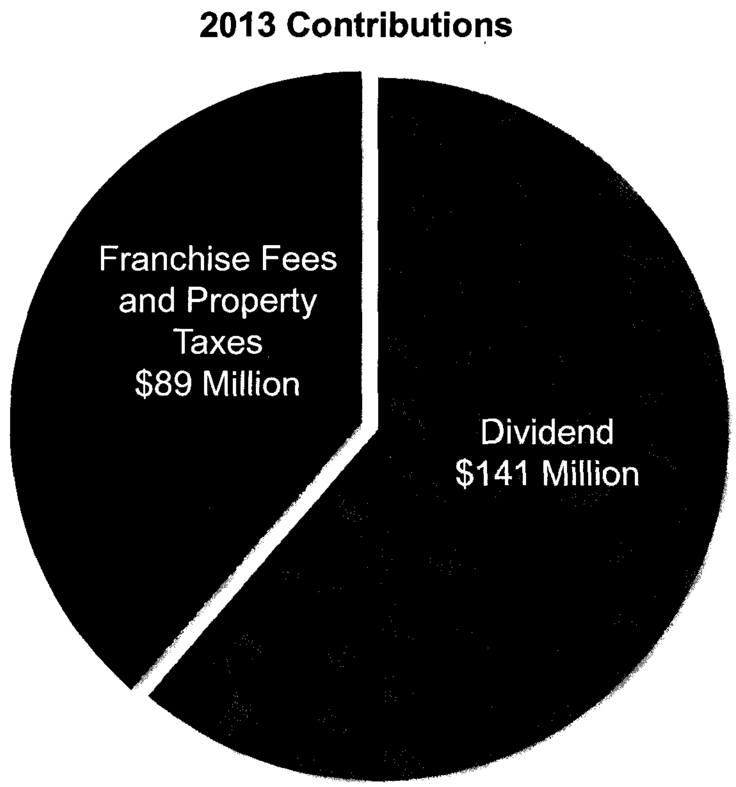


PROVIDING MORE EPCOR

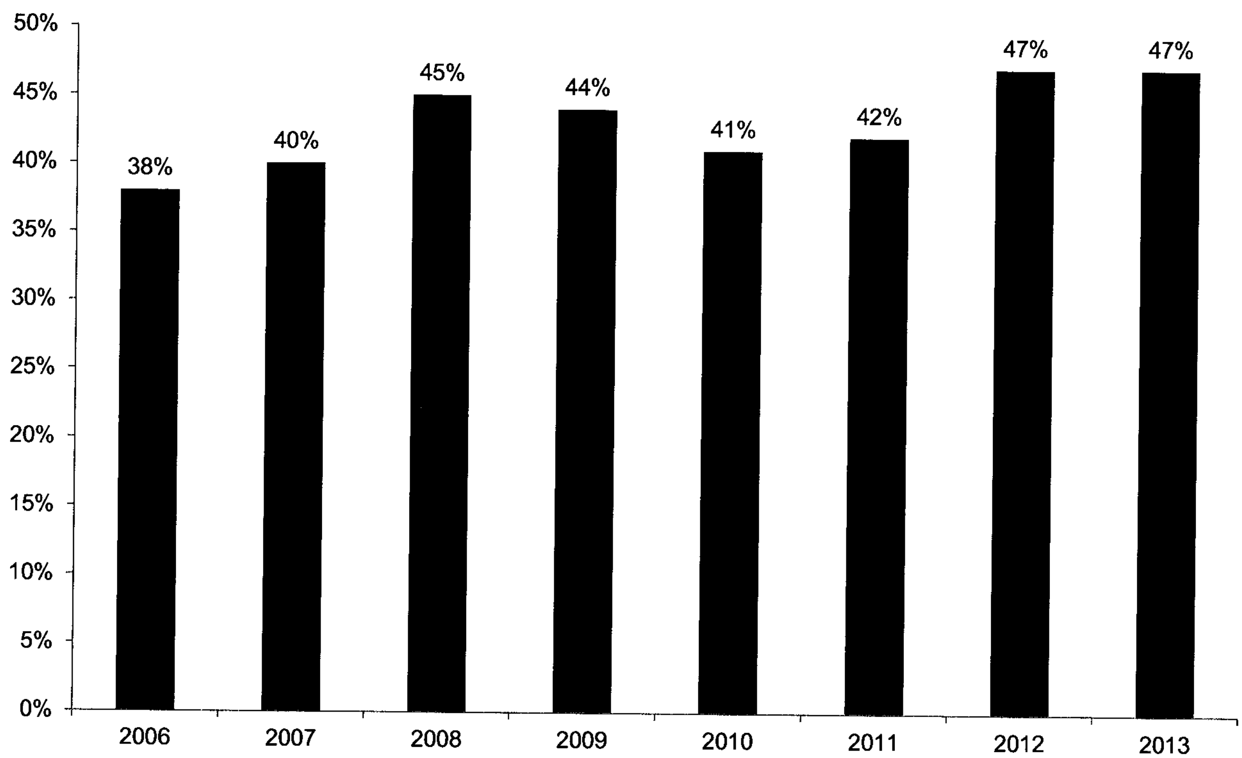
Performance for Shareholder

In 2013, EPCOR paid the City $230 million by way of the dividend, franchise fees and property taxes.

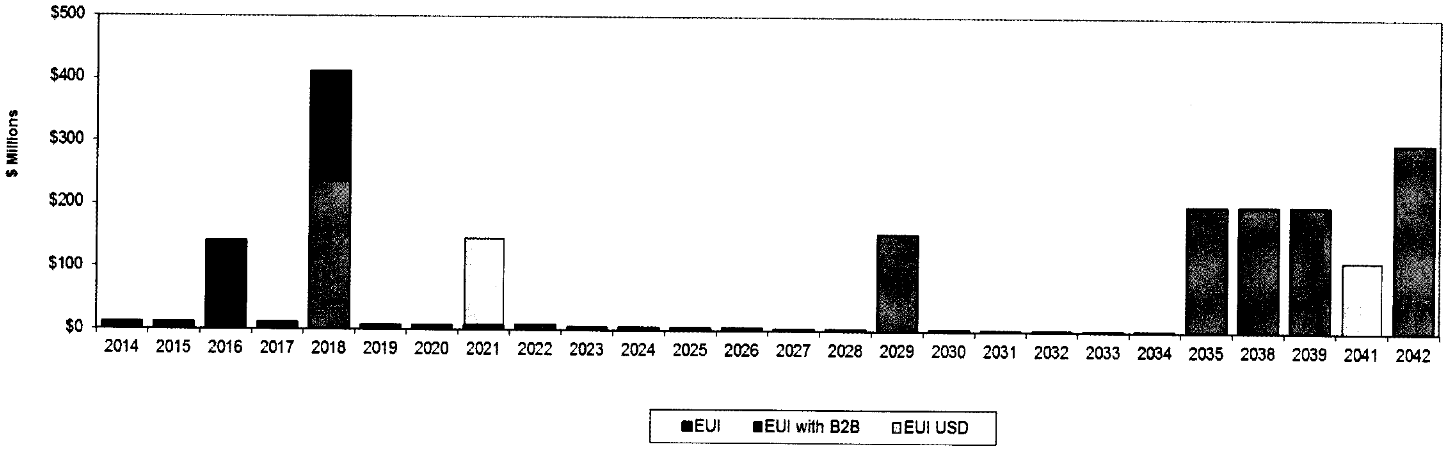
Since 1995 EPCOR has paid over $2 billion to the City of Edmonton.



Debt to Capitalization Ratio



Debt Maturities



Credit Profile

Strong Business Risk Profile

- Continued emphasis to de-risk the business by reducing holdings in Capital Power.
- Balanced growth in rate regulated and contracted industrial activities.
- Geographically diversified with multiple lines of business.
- Comprehensive management and governance focused on risk management.

Stable Financial Risk Profile

- Stable credit metrics with prudent pacing of capital expenditure program.
- Conservative financial management policies geared to optimizing liquidity and leverage in line with growth objectives.
- Pursuit of growth at reasonable price.

Improved Performance

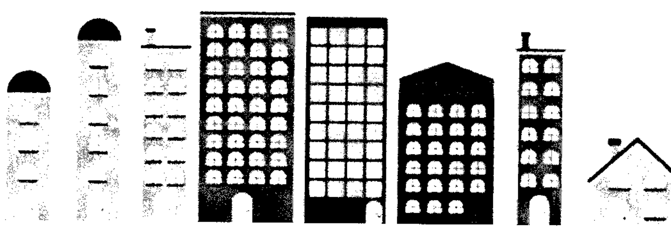
- Expect to grow net income from continuing operations.
- Expect to grow cash flow from operations.

Credit Rating Outlook

- Confirm or upgrade – stable/positive trends and a lower risk investment profile.

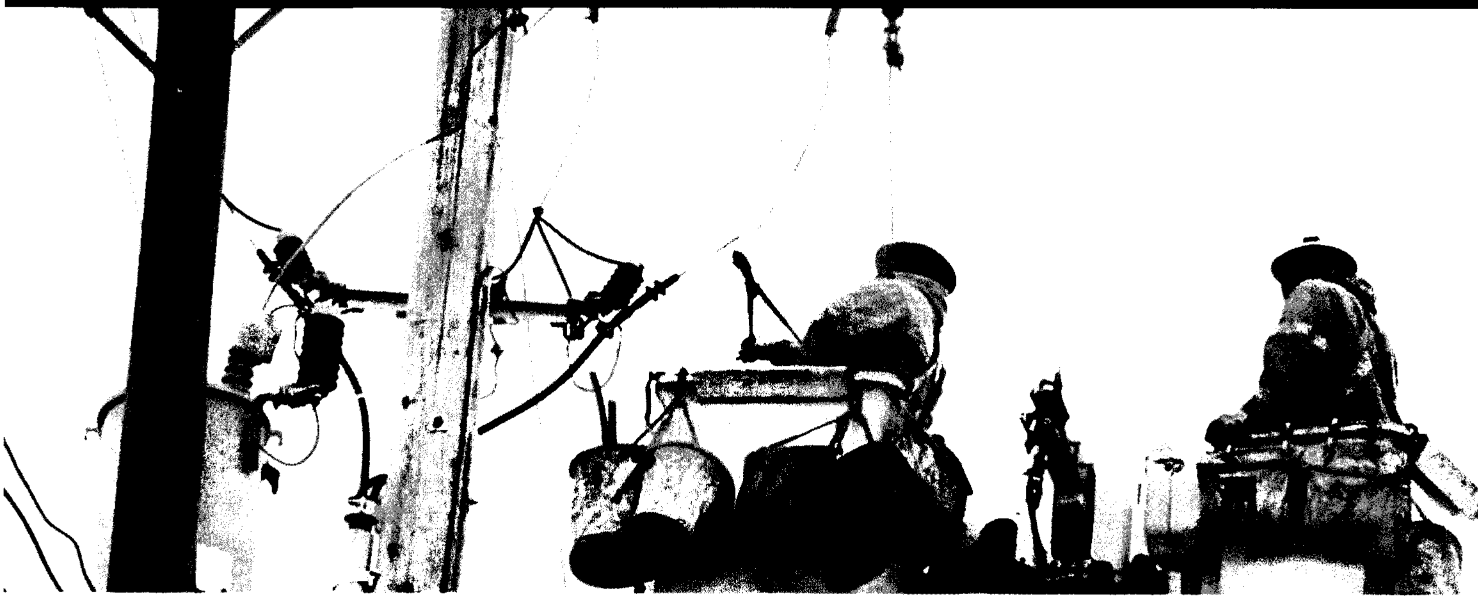
Thank you for your time

Questions?



PROVIDING MORE EPCOR

EPCOR Utilities Inc.
Investor Presentation
June 2013



David Stevens
President and Chief Executive Officer

Guy Bridgeman
Senior Vice President and Chief Financial Officer

Sam Myers
Treasurer

PROVIDING MORE EPCOR

Forward Looking Information

Certain information in this presentation and in oral answers to questions may contain forward-looking information statements or forward-looking information together, “forward-looking information”. Forward-looking information is based on current expectations, estimates and projections that involve a number of risks which could cause actual results to vary and in some instances to differ materially from those anticipated by EPCOR. Forward-looking information is based on the estimates and opinions of management at the time the information is presented. Actual results could differ materially from conclusions, forecasts or projections in the forward-looking information, and certain material factors or assumptions were applied in drawing conclusions or making forecasts or projections as reflected in the forward-looking information. Additional information about the material factors and risks that could cause actual results to differ materially from the conclusions, forecasts or projections in the forward-looking information and the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection as reflected in the forward-looking information is contained in the most recent interim and annual Management Discussion and Analysis filed on SEDAR (www.sedar.com) and EPCOR’s website (www.epcor.com).

Readers are cautioned not to place undue reliance on forward-looking statements as actual results could differ materially from the plans, expectations, estimates or intentions expressed in the forward-looking statements. Except as required by law, EPCOR assumes no obligation to update any forward-looking information, should circumstances or management’s estimates or opinions change, or any other reason.

Table of Contents

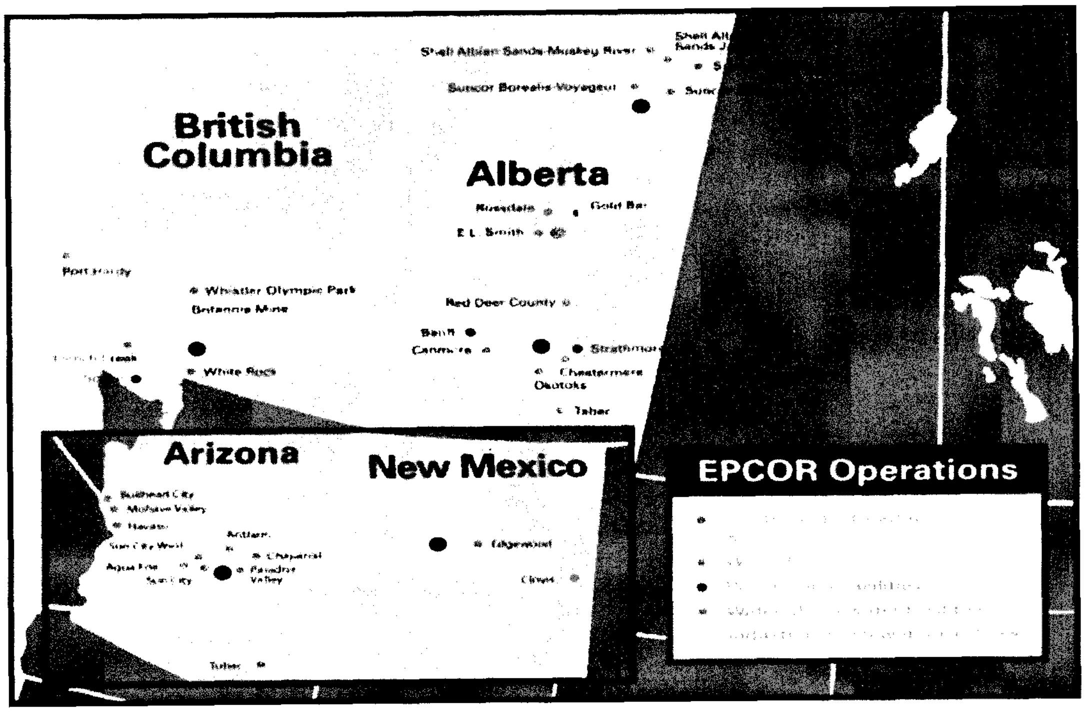
PROVIDING MORE EPCOR

EPCOR Today

- An experienced developer and operator of utility infrastructure. Two main operating divisions: Water Services & Electricity Services
- Headquartered in Edmonton. Predecessor company began operating in 1891; 120 year anniversary in 2011. Employ ~2,700 employees
- Stand alone corporation as of Jan 1, 1996, sole shareholder is the City of Edmonton (CoE)
- Fully independent Board of Directors. EPCOR operates at arms length from the Shareholder and has a mandate to invest and operate on commercial terms
- Essentially a narrowly-held private company
- Public issuer of debt
- Stand alone credit is BBB+(S&P) and A (low) (DBRS) – no credit support from City
- Report on SEDAR

EPCOR Operations

- Builds, owns and operates electrical transmission and distribution networks, water and wastewater treatment facilities and infrastructure in Canada and the United States
- Serves over 75 communities in Alberta and British Columbia and serves 14 municipalities in Arizona and New Mexico, through EPCOR Water (USA)



PROVIDING MORE EPCOR

Water Services

Municipal Water and Wastewater City of Edmonton

Water Treatment & Distribution

- Two large water treatment plants on the North Saskatchewan river – 680 MLD
- Approximately 250,000 City water customers – fully metered
- Rates regulated by City under a PBR
- Water also sold to 61 surrounding communities under wholesale rates regulated by the Alberta Utilities Commission

Wastewater Treatment

- Gold Bar Facility transferred from the city in 2009
- Enhanced Primary treatment – 1,200 MLD
- Some treated effluent re-used by Suncor Refinery
- Rates regulated by City under a PBR

Industrial Water and Wastewater

Alberta

- Own 3 water treatment and 4 wastewater treatment facilities at Suncor's Fort McMurray Oil Sands operations under long-term contracts
- Operate 4 water treatment and 4 wastewater treatment facilities at Suncor and Shell Albian Sands oil sands operations in Fort McMurray

British Columbia

- Operate the Britannia Mine wastewater treatment facility

Municipal Water and Wastewater Alberta/British Columbia/USA

Alberta

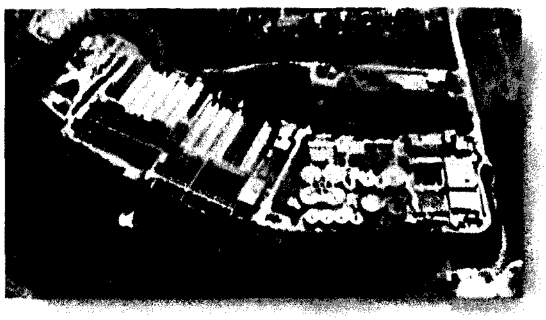
- Operating contracts in Banff, Canmore, Chestermere, Okotoks, Red Deer County, Taber
- Agreement signed October 2012 for the expansion and upgrade of Evan-Thomas water and wastewater facility in Kananaskis Village

British Columbia

- Regulated water utility in White Rock and French Creek
- Operating contracts in Port Hardy, Sooke, Whistler Olympic Park

Arizona and New Mexico

- Regulated water utility – Chaparral City Water Company, EPCOR Water Arizona, EPCOR Water New Mexico
- Serve approximately 141,000 water customers and 52,000 wastewater customers in several municipalities

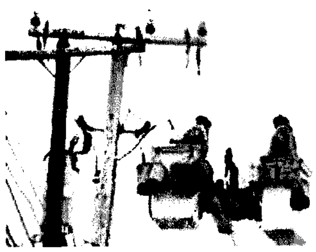


EPCOR

Electricity Services

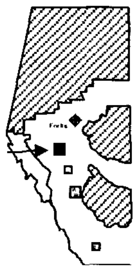
Electricity Distribution & Transmission

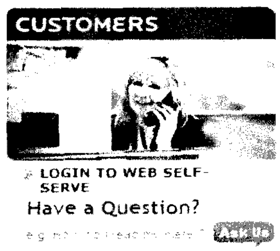
- Distribute to approximately 351,000 sites within Edmonton
- Regulated by the Alberta Utilities Commission
- 203km of aerial transmission line and underground transmission cable
- Own and operate 36 substations
- 286 distribution feeders



Energy Services

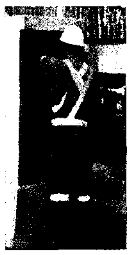
- Provide Regulated Rate Option (procurement, billing and customer care) for approximately 600,000 Edmonton and Fortis Alberta customers, regulated by the Alberta Utilities Commission
- Provide billing and customer care for approximately 250,000 EPCOR water customers in Edmonton and City of Edmonton drainage and waste collection services





Technologies

- Provide operating & maintenance and construction services for street lighting and traffic signals in the City of Edmonton
- Provide operating & maintenance and construction services for the electrical infrastructure for Light Rail Transit system in Edmonton
- Provide similar services to municipalities across Alberta



Management and Governance

Strategic Positioning

- Annual in-depth planning process
- Delivering on stated strategy to sell down interest in Capital Power and invest in regulated and long-term contracted assets

Risk Management

- Comprehensive financial management policies and enterprise risk management system geared to identifying, understanding and mitigating risk
- Disciplined approach to operations, business development and capital placement
- Fully staffed Regulatory and Government Relations teams

Organizational Effectiveness

- Experienced management team with considerable expertise
- David Stevens appointed President and CEO, effective March 6, 2013
- Guy Bridgeman appointed CFO, effective May 3, 2013

Governance

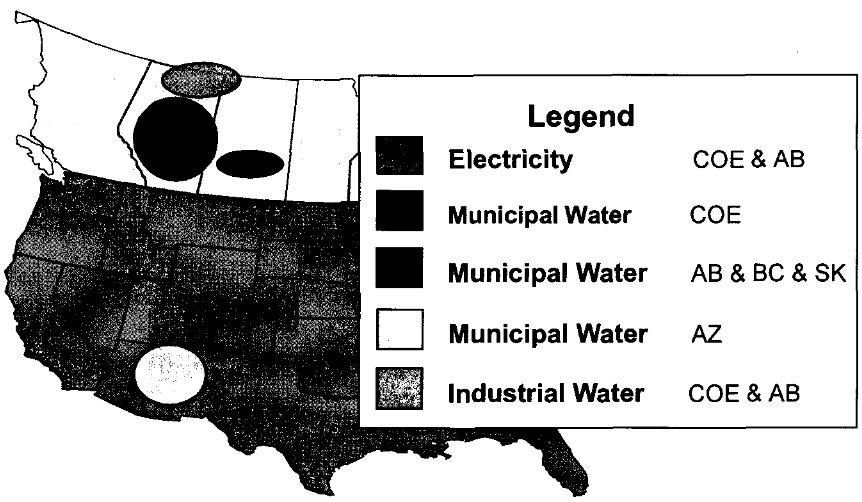
- Independent, experienced Board of Directors

Key Risks & Mitigation

Risk	Mitigation
Reliance on Capital Power	▪ Positive outlook for Capital Power as economy improves with growing regional power needs ▪ Insight into Capital Power via Board positions ▪ Continued monetization of EPCOR's equity interest and reduction of B2B debt reduces reliance
Operational Risk	▪ Government and industry standard testing; including 28,000 process control tests, 100,000 internal lab water quality tests and more than 5,000 tests for 220 scientific parameters sent to external laboratories ▪ Technology enabled monitoring and control systems increase security and reliability for electricity and water distribution network
Political/ Regulatory	▪ Concentrate development activities that are conducive to 3rd party participation (e.g. Arizona) ▪ Employ staged market penetration approach for industrial water that will facilitate broader opportunities over time including acquiring potable water and wastewater infrastructure at existing facilities ▪ Fully staffed Regulatory and Government Relations teams
Strategy Execution Risk	▪ For each new business development project, EPCOR seeks to ensure project success by addressing project risks, including events and external factors, as part of its due diligence process
Integration Risk	▪ Internal team solely focused on integration of acquired companies has been implemented
Weather	▪ Partially mitigated through insurance

Strategic Direction

- ✓ Continue to de-risk EPCOR by selling down CPC holdings over time
- ✓ Continue to invest in EPCOR's core water and wires utility infrastructure businesses



- Pursue rate regulated and long term contracted investment opportunities
- Continue to build reputation as a trusted developer and operator of utility assets
- Deliver stable cash flow and maximize returns on existing assets
- Preserve or improve financial strength and corporate ratings:
  A (low) (DBRS) and BBB+ (S&P)

Disciplined Investment Process

Risk Appetite

- CPC Sell Down
- Value Creation
- Low Earnings Volatility
- Financial
- Stable, Predictable and Growing Dividend
- Execution Capacity
- Identifiable, Understandable & Manageable Operational Risks
- Reputation

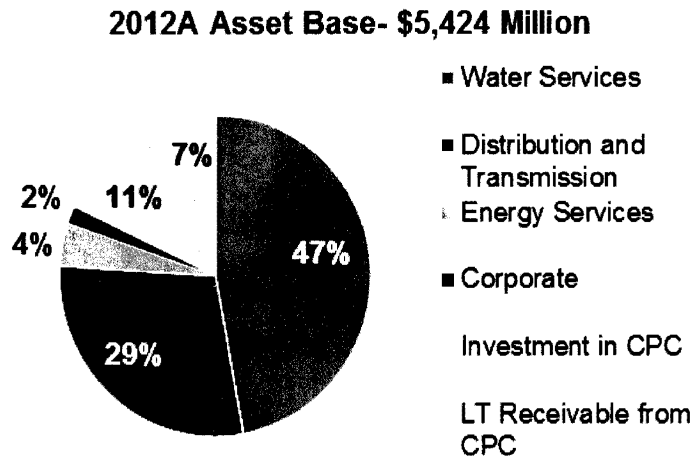
Strategic Focus Areas "Hunting Permit"

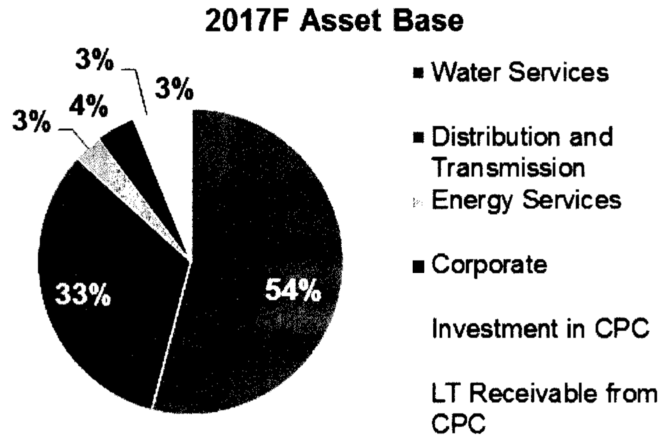
Municipal Water and Wastewater	WS Growth
	Acquisitions
	Development
Industrial Water and Wastewater	Potable W&WW
	Tailings Treatment
	Re-use
Electricity	D&T Growth
	Energy Services
	Technologies
	Independent Transmission

O2AI Opportunity Screen

1. Strategic
   - In hunting permit?
   - Place capital?
   - Build hub?
2. Growth Potential
3. Pursuit Effort
4. Probability of Success
5. Financial
6. Operational Complexity
7. Execution Risk/ Integration/ Operational Risk

EPCOR's Asset Portfolio





Canadian Water Highlights

February 2012

Firebag Central

- Suncor wastewater treatment plant added

October 2012

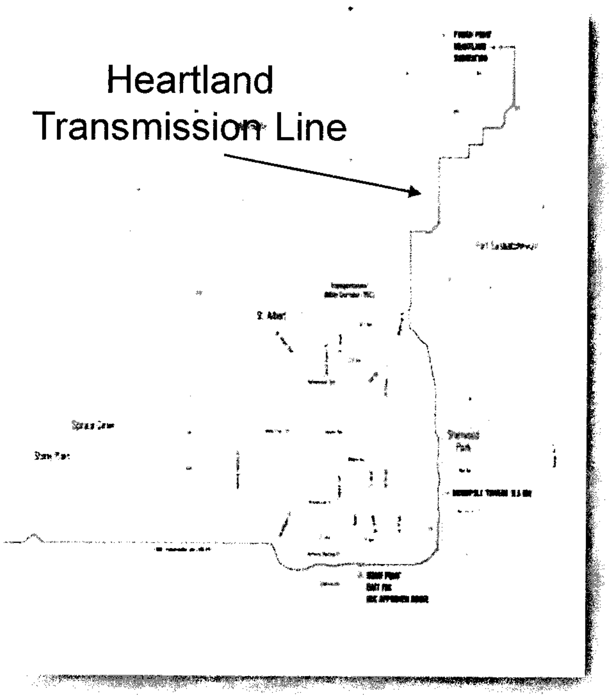
Evan-Thomas Water and Wastewater Facility

- Located in the Kananaskis Village area of Alberta
- expansion and upgrade
- Construction began in January 2013 and is expected to be completed in 2014

US Water Highlights

- January 2012: American Water Integration
    - Operations were ready day one with no significant disruption in service
    - All regulatory approvals were granted with no significant conditions imposed
    - Good stakeholder acceptance of the transaction and positive entrance into the market
- July 2012: Agua Fria White Tanks Water Treatment Plant
    - Added to customer rates starting in July 2012, three months earlier than expected
    - Parties agreed investment prudent for three year phase-in
    - $79M addition to the rate base
- June 2013: System Improvement Benefits (SIB) mechanism
    - Approved and adopted in Arizona – providing revenue to cover capital costs without having to wait for retrospective rate applications
- Have reached agreement for tuck-in of Mohave Valley Corporation adjacent to our operations in Bullhead City, northwestern Arizona for $2.35M
- Continue to optimize costs

Distribution & Transmission Highlights



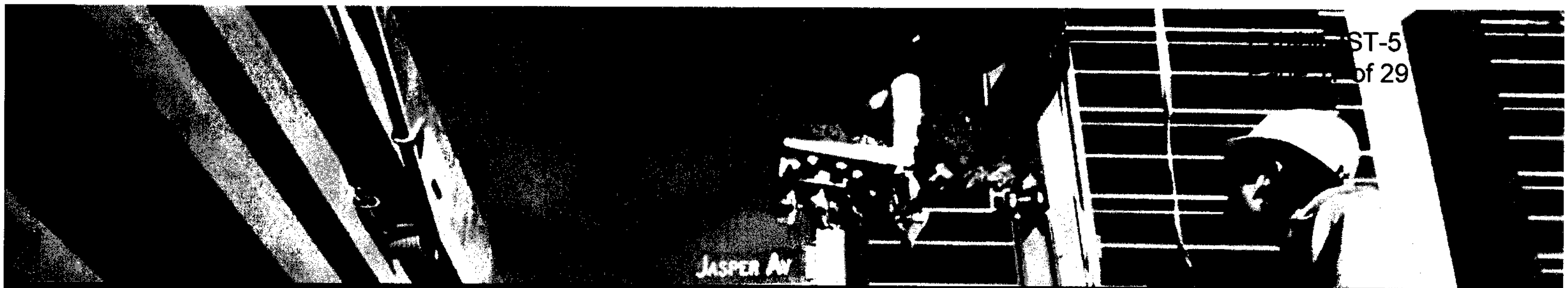
- The Heartland Transmission Project involves construction of a 65km $430M double circuit 500 kV transmission line to connect the Heartland region to existing 500 kV transmission infrastructure in south Edmonton.
- EPCOR and AltaLink are equal partners; Altalink leading construction
- Target completion is Q4 2013 ; progressing on time and budget
- Edmonton NW substation (Poundmaker) built within $29M budget and added to rate base September 2012.

Energy Services - Highlights

February 2013: Energy Price Setting Plan (EPSP) Amendment

EPCOR and its customer representatives agreed in principle to amend the EPSP

- The amendments incorporate a 120 day procurement window vs. the previous 45 day window
- Provide an increased risk margin to EPCOR
  - Risk margin will adapt by incorporating most recent history of commodity risks into setting of the variable risk margin
  - EPCOR is estimating this will increase our variable risk compensation from 3.35% to approximately 4.48% (assuming that the amended plan is in place from July 2013 to June 2014.)
  - No change to EPCOR's $2.11/MWh fixed risk margin
- Establishes an automatic quarterly risk adjustment mechanism
  - The variable risk margin will be recalculated incorporating in the most recent quarter of commodity risk results
- Amending agreement was filed on April 17, 2013 for approval by the Alberta Utilities Commission



Technologies Highlights

October 2012

Calgary Transit Refurbishment Project

December 2012

Temporary and Permanent Substation Installation

- North LRT Extension City of Edmonton

September 2013

Overhead Catenary Installation

- North LRT Extension City of Edmonton

October 2016

Road Weather Information System Installation

- Alberta Transportation

Financial Policies

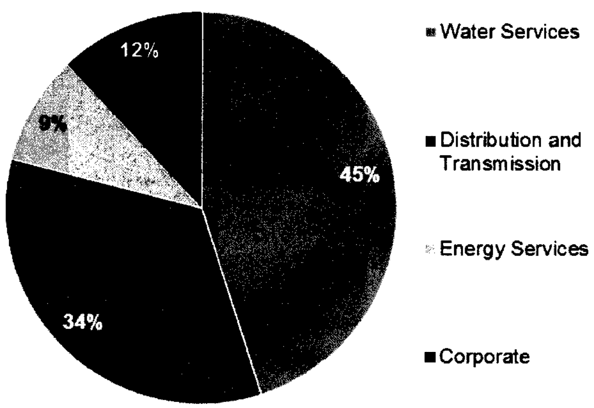
- Target adequate liquidity profile – rated no less than adequate under S&P criteria
- Capital expenditures will be funded with a mix of debt and equity in proportions necessary to maintain current investment grade rating
- Debt profile will be a blend of short and long term debt, but heavily weighted to long dated maturities to achieve match with asset lives and sourced at lowest economic cost with due consideration to interest rate and foreign exchange risks
- Continuously evaluate quasi-equity forms of financing as appropriate to maintain strong balance sheet
- Hedging policies in place for foreign exchange and interest rate hedging as, and when, appropriate
- Dividend Policy has been amended effective 2013 with the annual amount set at the 2012 level of $141M until a change is recommended by the Board and approved by the Shareholder

Financing and Liquidity

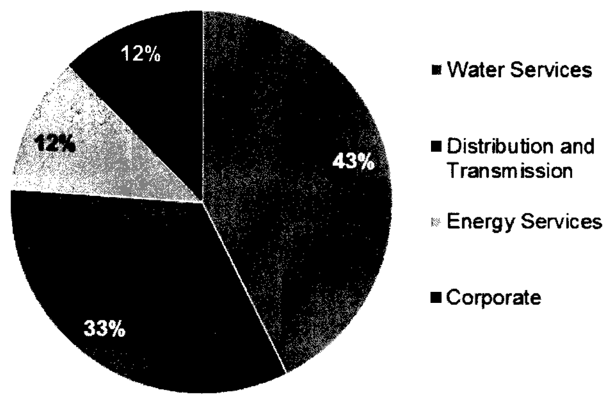
- Syndicated bank credit facility of $500M (two tranches of $250M)
  - Current maturity dates of November 2015 and November 2017
- Committed Letter of Credit facility of $400M to November 2015
- Demand Facilities for approximately $46M
  - $25M CAD, $21M USD
- $500M Commercial Paper program
- Strategy in place to monetize all or a significant portion of interest in Capital Power
  - $221M transacted in December 2010
  - $224M transacted in November 2011
  - $230M transacted in April 2012
- Available Medium Term Note (MTN) debt capacity of $700M under Short-Term Base Shelf Prospectus to January 2014
- Recent Long-term Financings:
  - $300M 30-year MTN issued February 2012 under base shelf prospectus

2012 Financial Highlights[1]

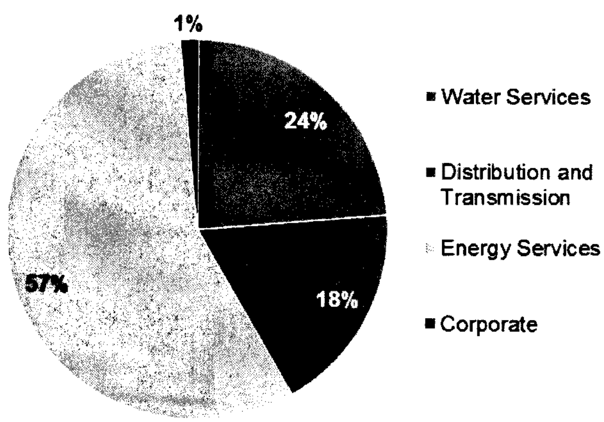
Consolidated EBITDA - $384 Million



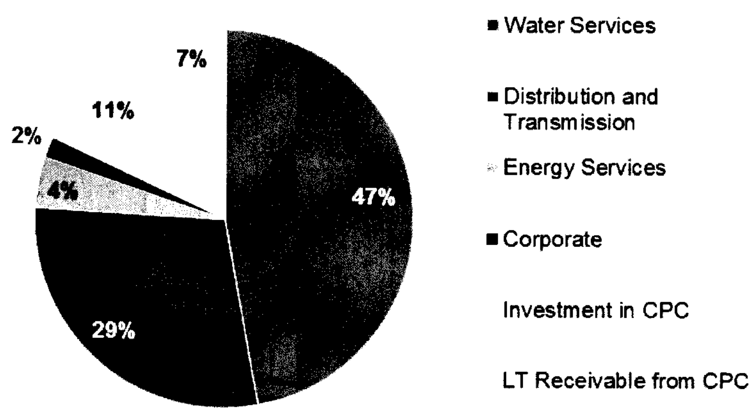
Consolidated Operating Income - $251 Million



Consolidated Revenue- $1,959 Million



Consolidated Total Assets - $5,424 Million

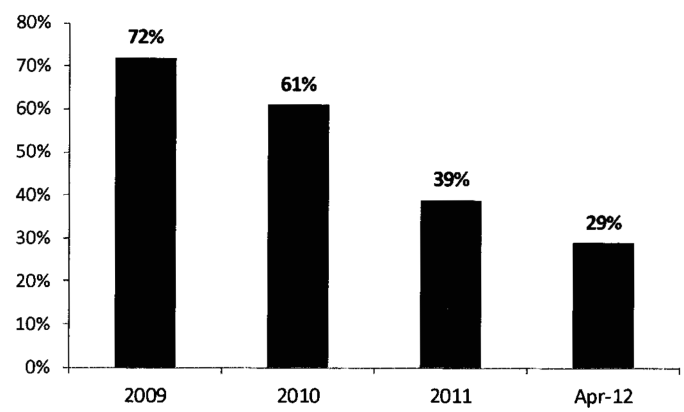


[1] *All amounts in millions of CDN dollars, as of December 31, 2012*

Interest in Capital Power

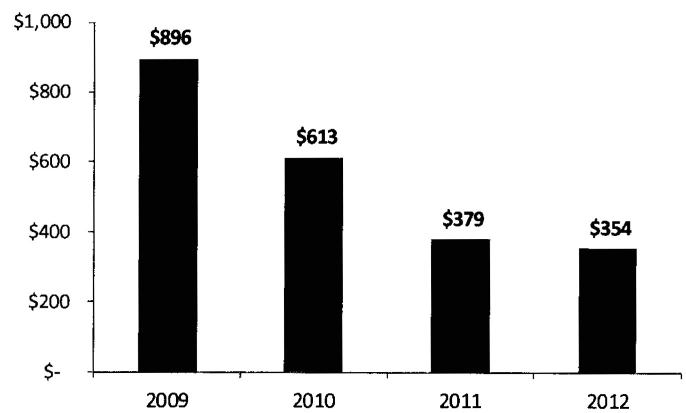
EPCOR plans to divest all or a significant portion of its interest in Capital Power over time as market conditions permit

Equity Interest



- Sale of Capital Power LP units in 2010, 2011, and 2012
  - $675M in total gross proceeds
- Capital Power sale of treasury common shares in 2011

Back-to-Back Debt (B2B)

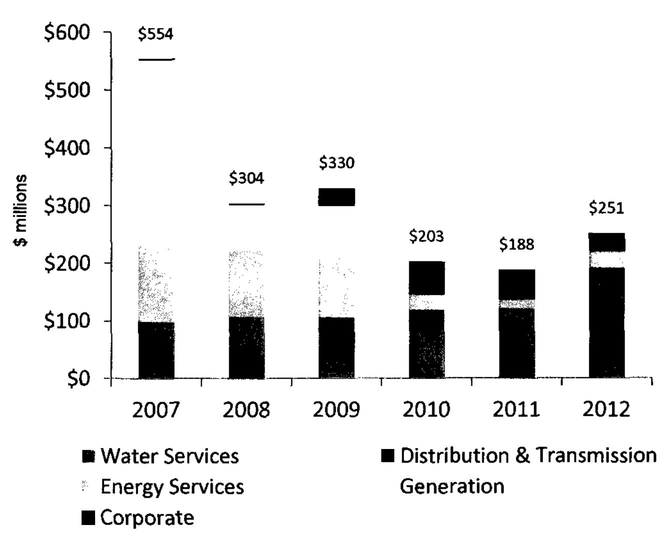


- B2B debt held by EPCOR relates to generation assets transferred to Capital Power LP in 2009
- Remainder to be repaid in full by June 2018
  - Significant Payments: 2016 - $140M; 2018 - $174M

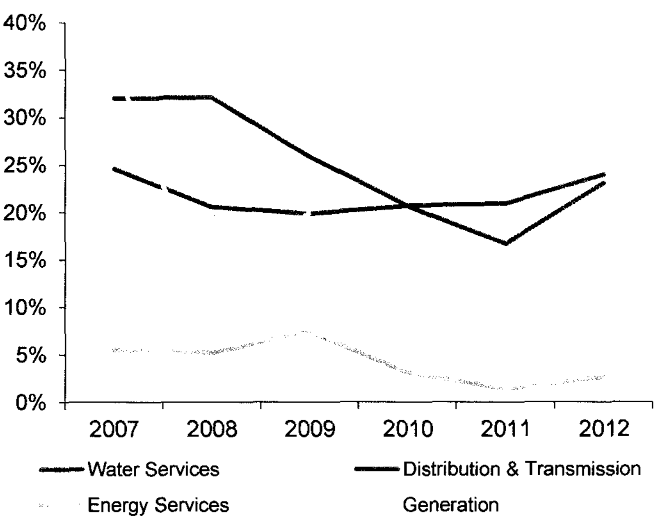
Historical Operating Income

While the divestiture of EPCOR's power generation business decreased revenue and operating income, it has reduced the volatility of EPCOR's Operating Margin

Operating Income Breakdown by Segment



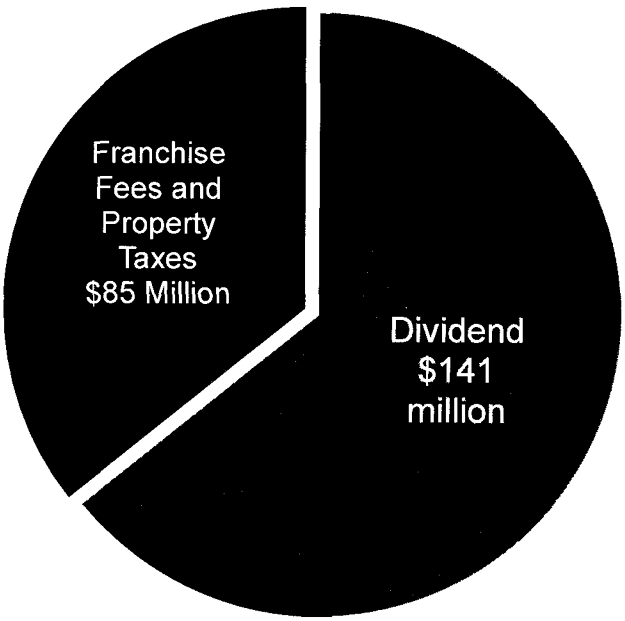
Segmented Operating Income Margin



PROVIDING MORE EPCOR

Performance for Shareholders

Since 1995 EPCOR has paid over $2 billion to the City of Edmonton.

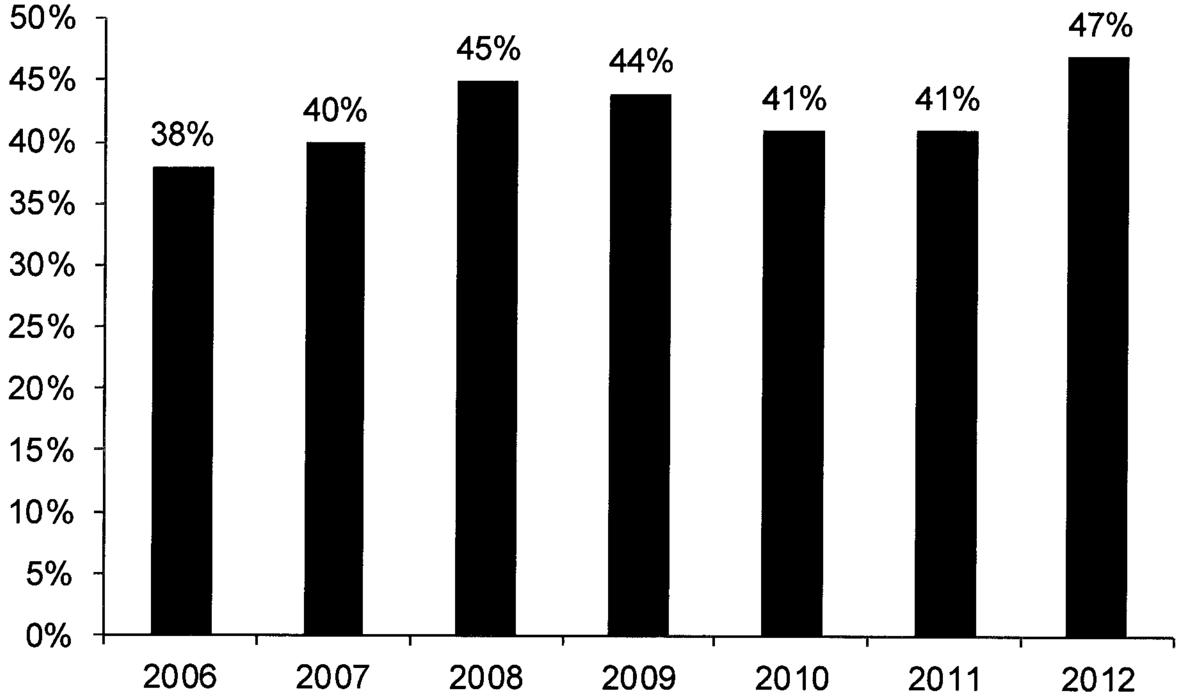


EPCOR payments to City of Edmonton (2012)

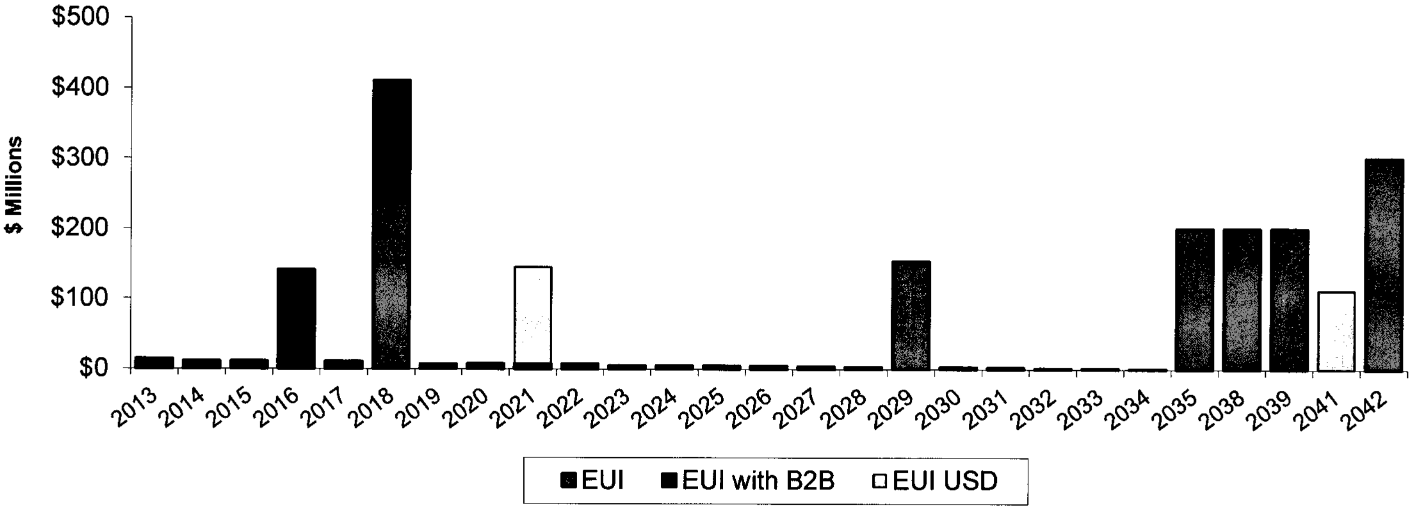
In 2012, EPCOR contributed:

- $141 million dividend
- $85 million in franchise fees and property taxes

Debt to Capitalization Ratio



Debt Maturities



PROVIDING MORE EPCOR

Summary

Strong Business Risk Profile

- Continued emphasis to de-risk the business by reducing reliance on Capital Power
- Balanced growth in rate regulated and contracted industrial activities
- Diversified geographically and by business lines
- Comprehensive management and governance focused on risk management

Stable Financial Risk Profile

- Stable credit metrics with prudent pacing of capital expenditure program
- Conservative financial management policies geared to optimizing liquidity and leverage in line with growth objectives
- Pursuit of growth at reasonable price

Improved Performance

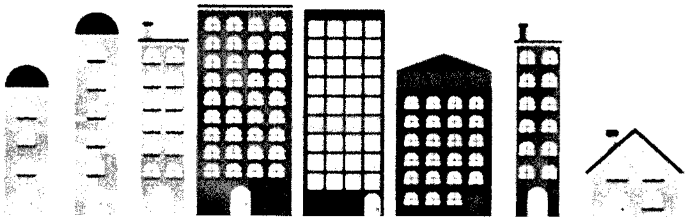
- Expect to grow net income from continuing operations
- Expect to grow cash flow from operations

Rating Outlook

- Confirm or upgrade – stable trend, with expectation of improvement based on a more conservative investment profile

Thank you for your time

Questions?



PROVIDING MORE EPCOR

DAVID W. STEVENS
President and Chief Executive Officer

David Stevens became President and Chief Executive Officer of EPCOR Utilities Inc. in March 2013. In this role, David is responsible for EPCOR's strategic direction and growth, and achieving operational excellence across its power and water businesses.

David is a veteran of the North American energy and utility industry with over 30 years of experience. Before joining EPCOR, he was CEO of the El Paso Electric Company, an integrated electrical utility providing services to over 370,000 customers across two states. Under his leadership, El Paso Electric doubled its stock value, expanded its portfolio to include renewable energy sources, and constructed a power station on time and under budget.

David was President and CEO of the Cascade Natural Gas Corporation (CNGC) from 2005-2007. Prior to that, he held a series of positions with increasing responsibility with Southern Union Company and its subsidiaries over two decades.

David began his career as a production engineer for the Getty Oil Company in Sweetwater, Texas – a position he took after graduating from the University of Texas, Austin, with a BSc in Chemical Engineering in 1982.

GUY BRIDGEMAN
Senior Vice President and Chief Financial Officer

Guy is responsible for corporate finance, treasury, strategic planning, corporate development, internal audit and risk management functions within EPCOR.

Prior to his current appointment, Guy Bridgeman served as Senior Vice President, Strategic Planning and Development and Senior Vice President of Distribution & Transmission and Energy Services. Guy joined EPCOR as Director of Regulatory Affairs in 1995. He played a central role in acquisitions in Alberta and Ontario, and the development of the Alberta Power Purchase Arrangements, EPCOR's first Regulated Rate Option Energy Price Setting Plan. More recently, he was EPCOR lead on the Heartland Transmission Project partnership with AltaLink Ltd., which is constructing a 500 kV transmission line in the Capital Region.

Prior to joining EPCOR, Guy was a senior economist with the Alberta government's Department of Energy, focusing on oil and gas regulatory issues. He played a leading role in the province's first round of electricity industry deregulation initiatives, introduced in 1996. Guy holds a Ph.D. in Economics from the University of Western Ontario and is a graduate of Harvard Business School's Advanced Management Program. He has also achieved ICD.D designation from the Institute of Corporate Directors. Guy serves on the Board of Directors of Edmonton's Citadel Theatre and is a member of the United Way Alberta Capital Region Campaign Cabinet.

EPCOR Utilities Inc.

BMO Investor Presentation

September 2012

Mark Wiltzen
Senior Vice President and Chief Financial Officer

Sam Myers
Treasurer

Forward Looking Information

Certain information in this presentation and in oral answers to questions may contain forward-looking information statements or forward-looking information together, "forward-looking information". Forward-looking information is based on current expectations, estimates and projections that involve a number of risks which could cause actual results to vary and in some instances to differ materially from those anticipated by EPCOR. Forward-looking information is based on the estimates and opinions of management at the time the information is presented. Actual results could differ materially from conclusions, forecasts or projections in the forward-looking information, and certain material factors or assumptions were applied in drawing conclusions or making forecasts or projections as reflected in the forward-looking information. Additional information about the material factors and risks that could cause actual results to differ materially from the conclusions, forecasts or projections in the forward-looking information and the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection as reflected in the forward-looking information is contained in the most recent interim and annual Management Discussion and Analysis filed on SEDAR (www.sedar.com) and EPCOR's website (www.epcor.com).

Readers are cautioned not to place undue reliance on forward-looking statements as actual results could differ materially from the plans, expectations, estimates or intentions expressed in the forward-looking statements. Except as required by law, EPCOR assumes no obligation to update any forward-looking information, should circumstances or management's estimates or opinions change, or any other reason.

Table of Contents

EPCOR Overview

EPCOR at a Glance

- Building on a proud 120 year history

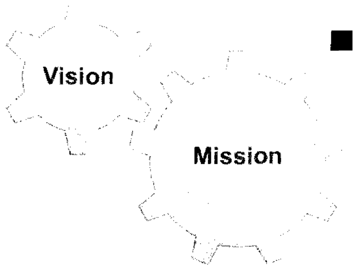
  EPCOR Utilities Inc. builds, owns and operates electrical transmission and distribution networks, water and wastewater treatment facilities and infrastructure in Canada and the United States

  - ~2,700 employees
  - Headquartered in Edmonton, Alberta

- Operations in Canada and the U.S. Southwest
  - Over 75 communities in Alberta and British Columbia
  - EPCOR Water (USA) serves 14 municipalities in Arizona and New Mexico

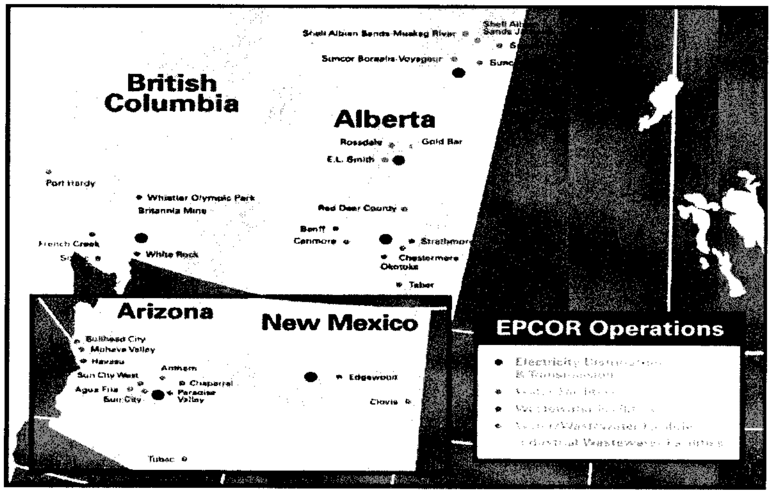
Mission and Vision

- **Our Mission:**
  - Making life better in our communities by providing clean water and safe, reliable electricity.



- **Our Vision:**
  - Be a premier North American essential services company, providing great tasting drinking water, clean wastewater and safe, reliable electricity; a company whose employees go home to their families safe.

EPCOR Operations



Management and Governance

Strategic Positioning
- Annual in-depth planning process
- Delivering on stated strategy to sell down interest in Capital Power and invest in regulated and long-term contracted assets

Risk Management
- Comprehensive financial management policies and enterprise risk management system geared to identifying, understanding and mitigating risk
- Disciplined approach to operations, business development and capital placement
- Fully staffed Regulatory and Government Relations teams

Organizational Effectiveness
- Experienced management team with considerable expertise

Governance
- Independent, experienced Board of Directors

Strategy

- Continued focus on water and wires utility infrastructure
  - Divest all or a significant portion of Capital Power interest in accordance with underlying agreements and as market conditions permit
- Pursue rate regulated and long term contracted investment opportunities
- Continue to build reputation as a trusted developer and operator of utility assets
- Deliver stable cash flow and maximize returns on existing assets
- Preserve or improve financial strength and corporate ratings:
  - A (low) (DBRS) and BBB+ (S&P)

Awards and Recognition

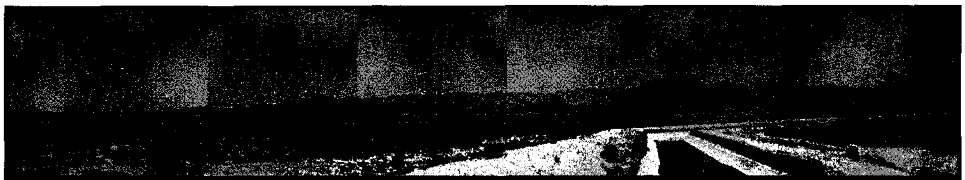
- 2012
  - Alberta's Top 55 Employers
  - Alberta Best Overall Workplace, 750+ employees
  - 50 Best Corporate Citizens in Canada
  - Alberta EnviroVista Champion
- 2011
  - Employee Safety Bronze Awards, Canadian Electricity Association
  - Customer Services Best Practices Operational Efficiency Award
  - Alberta's Top 50 Employers
  - Alberta Best Workplace for Training and Development
  - Alberta EnviroVista Champion

Canadian Water Operations

- Serve over 1 million people and supporting more than 75 communities in Alberta and British Columbia
- Owns eight and operates 19 other water treatment and/or distribution facilities in Alberta and British Columbia
- Owns five wastewater and operates 21 other treatment and/or collection facilities in Alberta and British Columbia
- Providing water and wastewater services to more than 6,000 Alberta oil sands camp workers
  - Located in the Wood Buffalo region
- Operations are either rate regulated or under long-term contracts

Recent Developments

- **October 2011:** Suncor water treatment plant added
  - Firebag Central
- **November 2011:** Five year chair sponsorship in tailings pond research
  - Study is to maximize the ability to recycle water between oil sands operations and reduce overall water use
  - Opportunity to expand knowledge to address environmental challenges
- **February 2012:** Suncor wastewater treatment plant added
  - Firebag Central



US Water Operations

- Chaparral City Water Company
  - Serves approximately13,000 customers in the Town of Fountain Hills and portion of Scottsdale
  - $35 million investment
  - Acquired June 2011
- EPCOR Water Arizona Inc. and EPCOR Water New Mexico Inc.
  - Serves approximately 106,000 water customers and 51,000 wastewater customers in several municipalities located within a 20-mile radius of Phoenix
  - New Mexico Water serves about 17,000 water customers in City of Clovis and greater Edgewood
  - $458 million investment
  - Acquired January 2012

Recent Developments

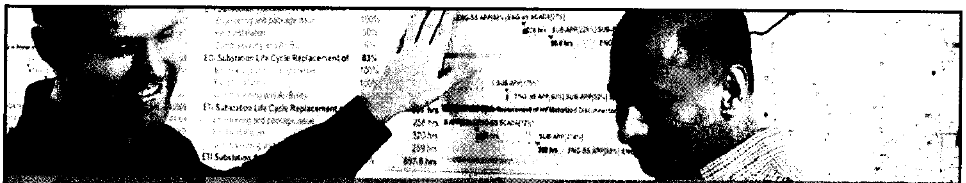
- **January 2012:** American Water Integration
  - Operations were ready day one with no significant disruption in service
  - All regulatory approvals were granted with no significant conditions imposed
  - Good stakeholder acceptance of the transaction and positive entrance into the market
- **July 2012:** Agua Fria White Tanks Water Treatment Plant
  - Added to customer rates starting in July 2012, three months earlier than expected
  - Parties agreed investment prudent for three year phase-in
  - $78.9 million addition to the rate base

Distribution & Transmission

- Power distribution in Alberta
  - Distributes 14% of Alberta's total electricity consumption
  - ~340,000 customers
- We build, own and operate:
  - 29 transmission substations
  - 203 circuit kilometres of aerial transmission lines and underground transmission cables
  - Eight distribution substations
  - 287 distribution feeders
  - Approximately 5,000 circuit kilometres of primary distribution lines

Recent Developments

- **April 2011:** Alberta Utilities Commission (AUC) approved EPCOR's application to build a new substation, the Poundmaker Substation, in northwest Edmonton
  - Cost $30 million
  - Expected completion in late 2012
  - Project will add to EDTI's rate base
- **November 2011:** Heartland Transmission Project regulatory approval
  - Estimated cost of $430 million ($215 million per partner)
  - EPCOR 50% partner with Altalink
  - Altalink is project manager
  - Target completion in 2013

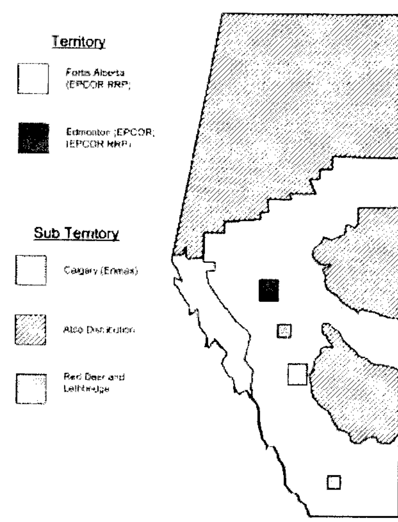


Energy Services

- Sells rate-regulated electricity to:
  - About 600,000 customers, approximately 40% of the eligible RRO customers in Alberta
  - Located in Edmonton and Fortis Alberta service areas
- Handles billing and customer care for:
  - 240,000 EPCOR Water Services customers
  - City of Edmonton Waste and Drainage divisions

Regulated Rate Option Territory

- Regulated Rate Option (RRO) provider
  - EPCOR and Fortis (Territory)
  - ~600,000 RRO customers



Recent Developments

- **June 2011:** Energy Price Setting Plan (EPSP)
  - Brought procurement in-house under a regulator approved EPSP
  - EPCOR bears price and volume risks and receives compensation intended to cover such risks
- **May 2012:** Calgary Contact Centre
  - Calgary contact centre closed and consolidated operations in Edmonton

Technologies

- Serving the City of Edmonton and other municipal / private clients:
  - Light rail transit
  - Roadway lighting
  - Traffic control and
  - Intelligent transportation systems
- Experienced in:
  - Design
  - Construction
  - Project management
  - Maintenance

Recent Developments

- **October 2012:** Calgary Transit Refurbishment Project
  - Calgary Transit
- **December 2012:** Temporary and Permanent Substation Installation
  - North LRT Extension City of Edmonton
- **July 2013:** Overhead Catenary Installation
  - North LRT Extension City of Edmonton
- **October 2016:** Road Weather Information System Installation
  - Alberta Transportation

Financial Overview

Financial Performance

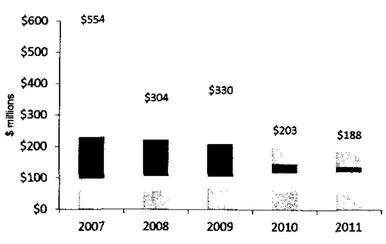
	31-Dec-10	31-Dec-11	% change
Revenues	$1,489	$1,833	23.1%
EBITDA	$301	$293	-2.7%
Investment in capital projects	$245	$338	38.0%
Net Income	$105	$144	37.1%
Cash flow from Operations	$190	$123	-35.3%

*All figures are in millions of dollars

Historical Operating Income

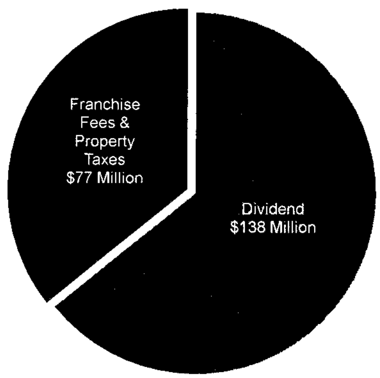
- While the divestiture of EPCOR's generation business decreased revenue and operating income, it has reduced the volatility of EPCOR's Operating Margin

Operating Income Breakdown by Segment



Segmented Operating Income Margin

Performance for Shareholder

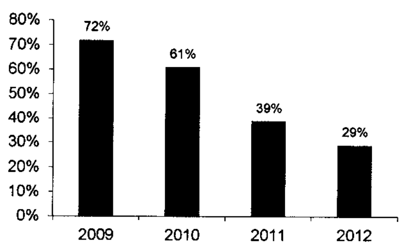


EPCOR payments to City of Edmonton (2011)

- In 2011, EPCOR contributed:
  - $138 million dividend
  - $77 million in franchise fees & property taxes
- Over more than a decade EPCOR has paid over $2 billion to the City of Edmonton

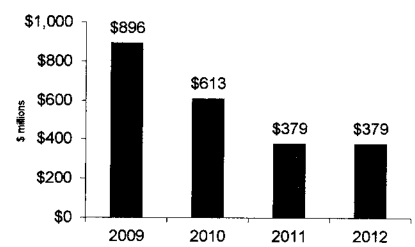
Interest in Capital Power

Equity Interest



- Sale of Capital Power LP units in 2010, 2011, and 2012
  - $675 million in total gross proceeds
- Capital Power sale of treasury common shares in 2011

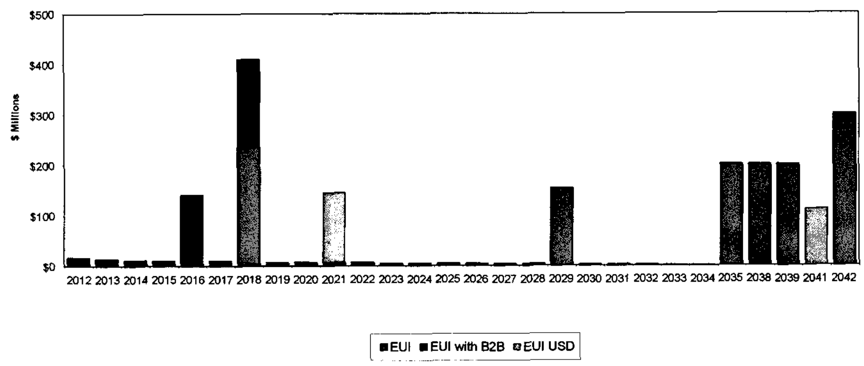
Back-to-Back Debt (B2B)



- B2B debt held by EPCOR relates to generation assets transferred to Capital Power LP in 2009
- Remainder to be repaid in full by June 2018
  - Significant Payments: 2016 - $140 million; 2018 - $174 million

EPCOR plans to divest all or a significant portion of its interest in Capital Power over time as market conditions permit

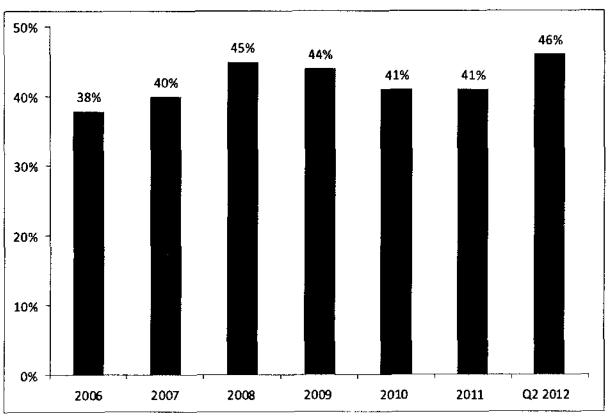
Debt Maturities



27

PROVIDING MORE EPCOR

Debt to Capitalization Ratio



28

PROVIDING MORE EPCOR

Financing and Liquidity

- Syndicated bank credit facility of $500 million (two tranches of $250 million)
  - Current maturity dates of November 2014 and November 2016
- Committed Letter of Credit facility of $400 million to January 2015
- Demand Facilities for approximately $45 million
  - $25 million CAD, $20 million USD
- $500 million Commercial Paper program
- Strategy in place to monetize all or a significant portion of interest in Capital Power
  - $221 million transacted in December 2010
  - $224 million transacted in November 2011
  - $230 million transacted in April 2012
- Available Medium Term Note (MTN) debt capacity of $700 million under Short-Term Base Shelf Prospectus to January 2014
- Recent Long-term Financings:
  - USD $250 million US private placement issued December 2011 in two tranches: $138 million 10 year and $112 million 30 year
  - $300 million 30-year MTN issued February 2012 under base shelf prospectus

Thank you for your time

Questions?

EPCOR Utilities Inc.

Infrastructure and Utilities Conference
February 2012

BMO Capital Markets

Mark Wiltzen
Senior Vice President and Chief Financial Officer

Sam Myers
Treasurer

PROVIDING MORE EPCOR

Forward-Looking Information

Certain information in this presentation and in oral answers to questions may contain forward-looking information statements or forward-looking information together, “forward-looking information”. Forward-looking information is based on current expectations, estimates and projections that involve a number of risks which could cause actual results to vary and in some instances to differ materially from those anticipated by EPCOR. Forward-looking information is based on the estimates and opinions of management at the time the information is presented. Actual results could differ materially from conclusions, forecasts or projections in the forward-looking information, and certain material factors or assumptions were applied in drawing conclusions or making forecasts or projections as reflected in the forward-looking information. Additional information about the material factors and risks that could cause actual results to differ materially from the conclusions, forecasts or projections in the forward-looking information and the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection as reflected in the forward-looking information is contained in the most recent annual Management Discussion and Analysis filed on SEDAR (www.sedar.com) and EPCOR’s website (www.epcor.ca).

Readers are cautioned not to place undue reliance on forward-looking statements as actual results could differ materially from the plans, expectations, estimates or intentions expressed in the forward-looking statements. Except as required by law, EPCOR assumes no obligation to update any forward-looking information, should circumstances or management’s estimates or opinions change, or any other reason.

EPCOR

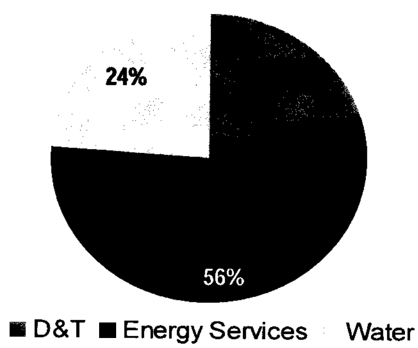
Business of EPCOR

EPCOR

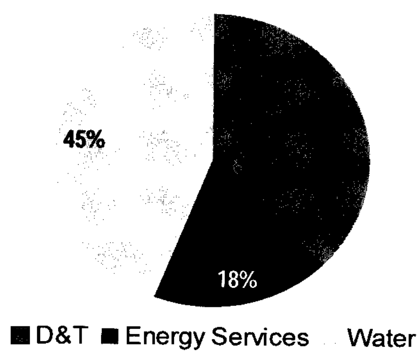
Company Overview

- Diversified electricity services and water services provider headquartered in Edmonton, Alberta
- Minority ownership in Capital Power, a power generation business
- 2010 revenue of C$1,473 million and EBITDA of C$300 million
- Wholly-owned by the City of Edmonton for over 100 years
- Geographically diverse operations in Canada with recent acquisitions in the US

2010 Consolidated Revenue

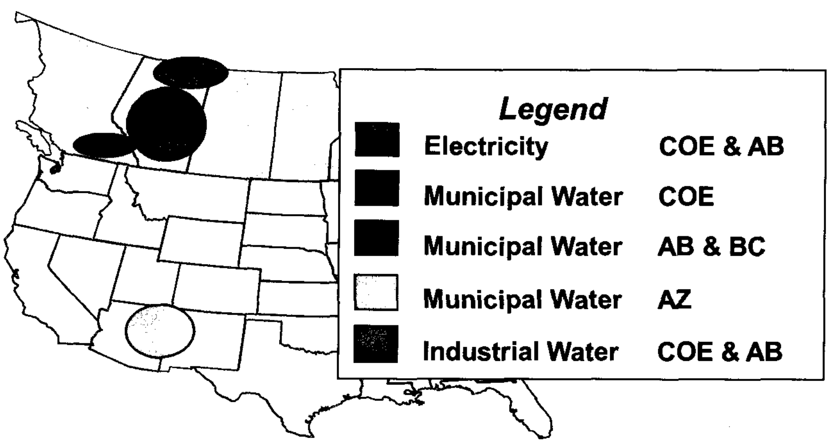


2010 Consolidated Operating Income



EPCOR

- Continued focus on water and wires utility infrastructure and divest Capital Power interest in accordance with underlying agreements and as market conditions permit
- Pursue rate regulated and long term contracted investment opportunities
- Continue to build reputation as a trusted developer and operator of utility assets
- Deliver stable cash flow and maximize returns on existing assets
- Preserve or improve financial strength and corporate ratings: A (low) (DBRS) and BBB+ (S&P)



Growth Hunting Permit		Capital Region	Alberta & B.C.	US Southwest - Arizona
Municipal Water and Wastewater	WS Growth	■	■	■
	Acquisitions		■	■
	Development		■	■
Industrial Water and Wastewater	Potable W&WW		■	
	Tailings Treatment		■	
	Re-use	■	■	
Electricity	D&T Growth	■		
	Energy Services	■	■	
	Technologies	■	■	
	Independent Transmission		■	

EPCOR's strategy is to focus on rate-regulated businesses or long term contracted commercial agreements

EPCOR

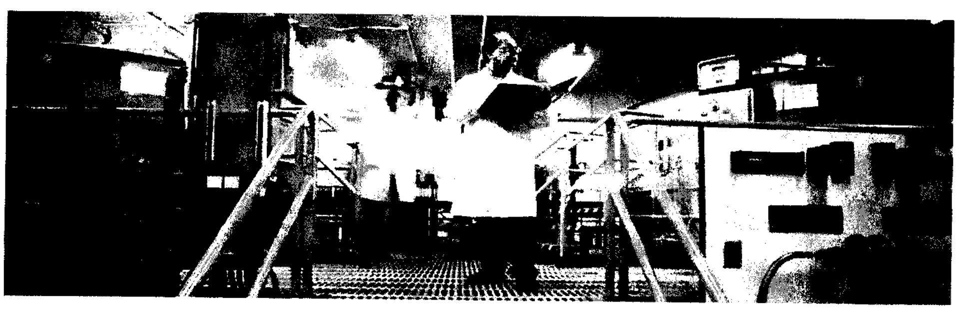
EPCOR Business Summary

Water
- Owns and operates rate regulated and contracted water treatment and wastewater treatment facilities

Distribution and Transmission
- Owns and operates electricity transmission and distribution assets in Alberta

Energy Services
- Provides electricity regulated rate service to residential and small commercial customers as well as default supply electricity services

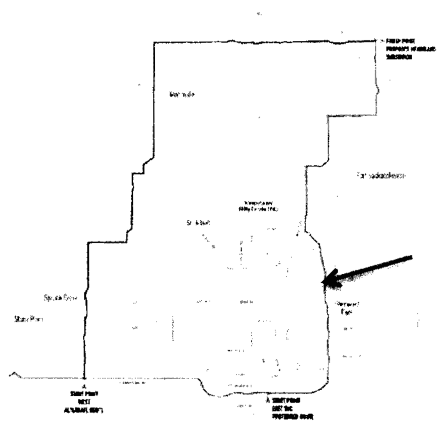
Interest in Capital Power
- Remaining interest in Capital Power



EPCOR

Recent Developments

- Acquisition of Arizona American Water Company and New Mexico American Water Company, US $470 million, 106,000 water and 51,000 wastewater customers in Arizona, 17,000 water customers in New Mexico (January 2012)
- Acquisition of Chaparral City Water Company, US $35 million, Arizona, 13,000 customers (June 2011)
- Heartland Transmission Project regulatory approval (partnership with Altalink), estimated project cost (~$ 400 million), targeted completion 2013



EPCOR

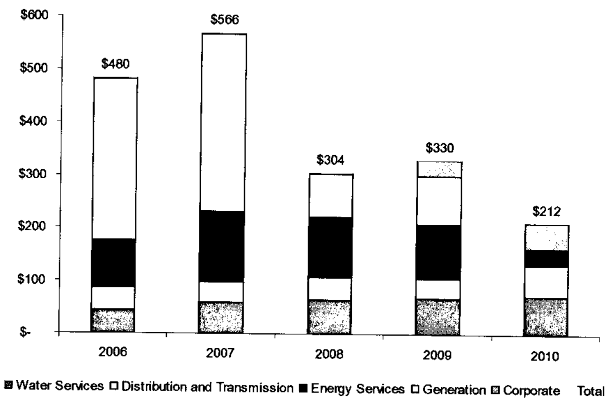
Financial Overview

EPCOR

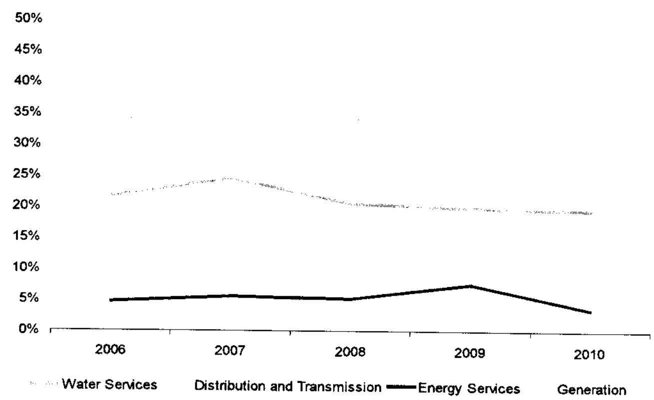
Historical Operating Income

- While the divestiture of EPCOR's generation business decreased revenue and operating income, it has reduced the volatility of EPCOR's Operating Margin

Operating Income Breakdown By Segment



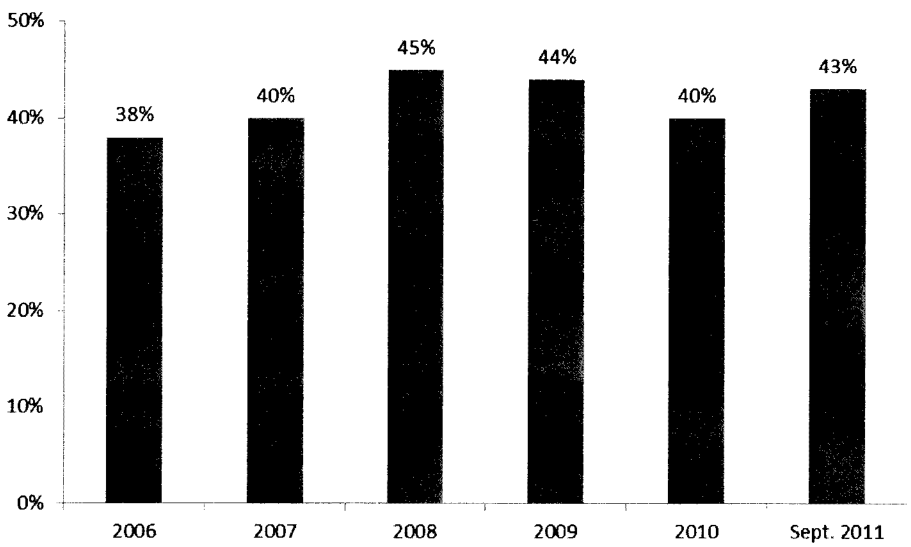
Segmented Operating Income Margin



- The Generation and Corporate segments represent the generation business (pre and post restructuring)

Debt to Capitalization Ratio

- EPCOR will continue to target a Consolidated Senior Debt to Consolidated Capitalization ratio of 40% to 60%



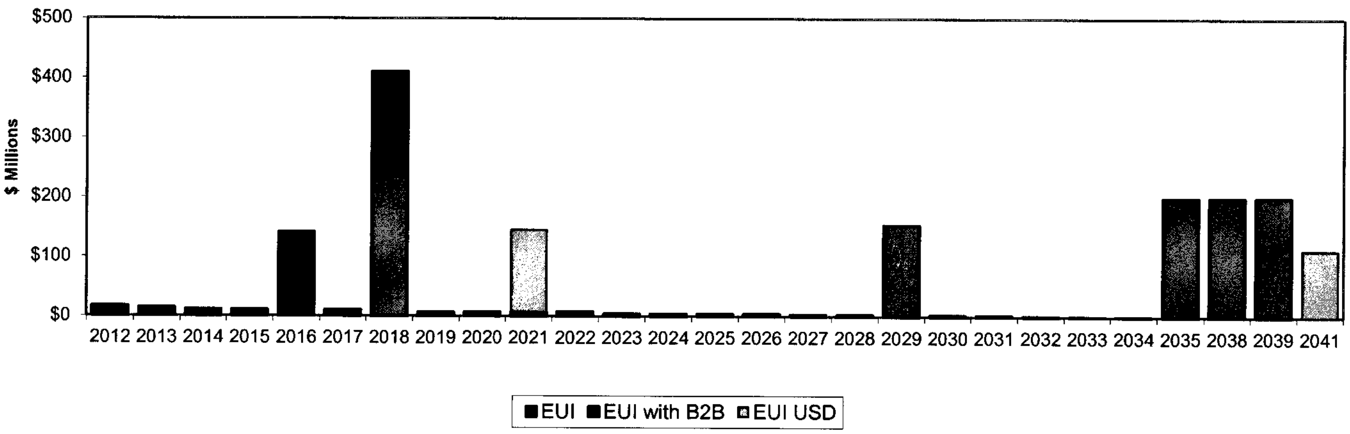
EPCOR

Financing and liquidity

- Syndicated bank credit facility of $500 million (Two tranches of $250 million)
  - Recently extended to November 2014 and November 2016
- Syndicated Letter of Credit bank credit facility of $400 million
- Demand Facilities for approximately $45 million
  - $25 million CAD, $20 million USD
- $500 million Commercial Paper program
- Strategy in place to monetize interest in Capital Power
  - $221 million transacted in December 2010
  - $224 million transacted in November 2011
- Unutilized $1 billion Canadian Medium Term Note (MTN) Base Shelf Prospectus available to January 2014 which provides access to Canadian MTN market
- $250 million USD private placement of debt in December 2011
  - $138 million 10-year, $112 million 30-year

EPCOR

Debt Maturities



Consistent and Predictable Cash Flow and Solid Credit Metrics
- Maintain moderate leverage, conservative policies and strong coverage ratios

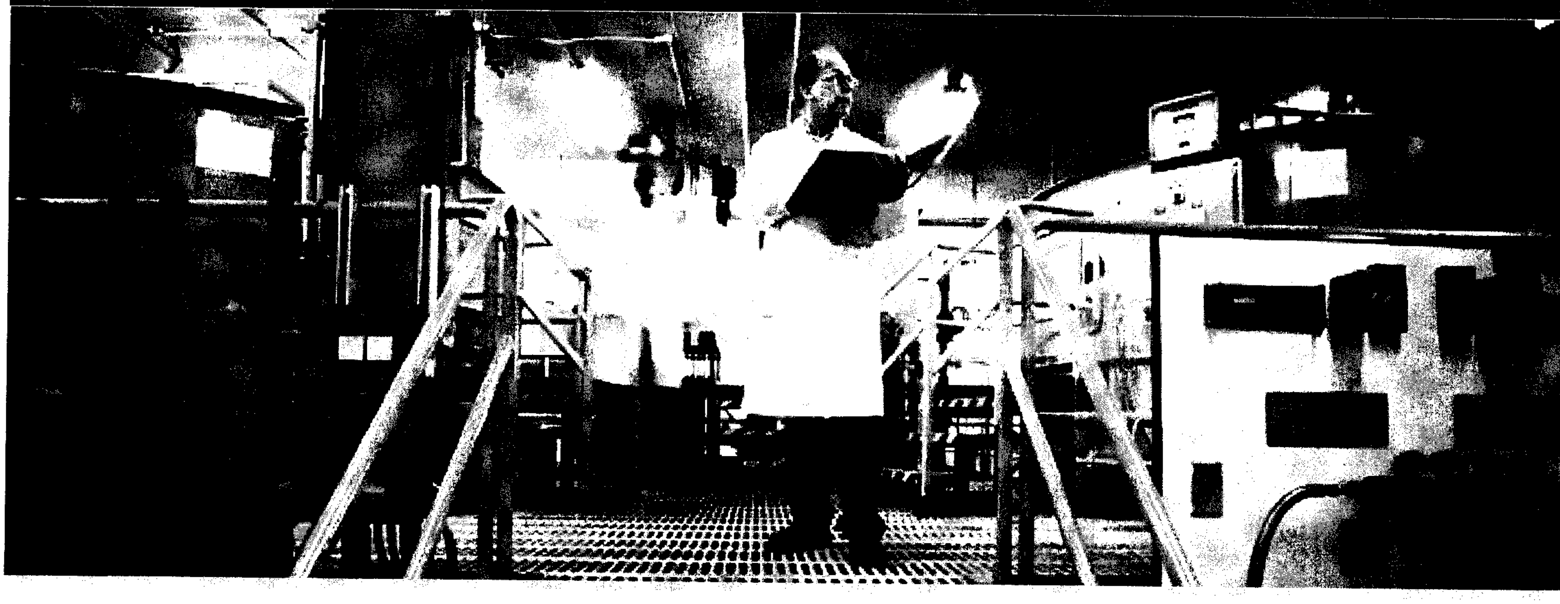
Strong Credit Ratings and Longstanding, Stable Ownership
- S&P: BBB+, DBRS: A(low)

Growth in Rate-Regulated and Long Term Contracted Businesses
- Capital investment in Edmonton and Fort McMurray, Alberta
- Chaparral, Arizona American Water, and New Mexico American Water

Continued Divestiture of Capital Power
- Reduced exposure to power generation business

EPCOR

Questions?



www.epcor.ca

PROVIDING MORE EPCOR

EPCOR Water Preliminary Cost Estimate				Date Prepared: 2/11/2014
Prepared By: Candace Coleman, P.E.	Water System: Paradise Valley	Project Year and Number: **2016 WM-3**	Project Location: Silvercrest Way	
Project Description: Replace existing main in Silvercrest Way with 520 feet of 4" main				

Materials & Labor

Quantity	Unit	Avg $/Unit	Description	Estimated Item Cost
520	linear feet	95	Contractor material and labor to install main	$ 49,400
1	lump sum	5,000	Consultant engineering design	$ 5,000
100	hours	35	Company labor for field oversight and inspections	$ 3,500
40	hours	45	Company labor for project management	$ 1,800
Subtotal				$ 59,700
General Overhead Rate on Labor and Capital (10%)				$ 5,970
Total Estimated Cost				**$ 65,670**

COMPANY: EPCOR Water Arizona Inc.
DOCKET NO: WS-01303A-14-0010

Response provided by: Sheryl L. Hubbard
Title: Director, Regulatory & Rates

Address: 2355 W. Pinnacle Peak Road, Suite 300
Phoenix, AZ 85027

Company Response Number: Resorts 1.1

Q: Work Papers – Referring to the testimony of Candice Coleman, please provide the annual change revenue requirements anticipated under the SIB and the CAPEX mentioned in her testimony for the Paradise Valley Water District. For purposes of this request, assume the requested ROR. Provide all working papers in Excel supporting the response.

A: The annual changes in revenue requirements anticipated under the SIB mechanism for the Paradise Valley Water District are summarized in the attachment labeled "Resorts 1.1 SIB Rev Req-Paradise Valley.xlsx".

Paradise Valley Water District
5/8 x 3/4 Inch Meter - Residential

Per Paradise Valley Water District, Schedule A-1

	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Total Revenue	$ 9,648,251	$10,489,588	$ 841,337	8.72%

SIB Revenue Requirement (5% of Revenue Requirement)	$ 482,413	$ 524,479
Efficiency Credit (5% of SIB Revenue Requirement)	$ (24,121)	$ (26,224)
	$ 458,292	$ 498,255

(per Schedule H-4, page 1)

		Present Bill	Proposed Bill	Dollar Increase	Percent Increase
Average Usage	19,271	$ 52.30	$ 56.76	$ 4.47	8.54%

	SIB YR 1	SIB YR 2	SIB YR 3	SIB YR 4	SIB YR 5	Total
Increase from Yr 1	$ 1.07	$ 1.07	$ 1.07	$ 1.07	$ 1.07	
Increase from Yr 2		$ 1.01	$ 1.01	$ 1.01	$ 1.01	
Increase from Yr 3			$ 1.06	$ 1.06	$ 1.06	
Increase from Yr 4				$ 1.07	$ 1.07	
Increase from Yr 5					$ 0.88	
Cumulative Totals	$ 1.07	$ 2.08	$ 3.14	$ 4.21	$ 5.09	
Annual Revenue Increase - SIB (Includes Efficiency Credit)	197,174	187,203	196,228	197,044	162,974	940,621
Cumulative Revenue Increases - SIB	197,174	384,376	580,604	777,647	940,621	
Annual Increase over Requested Revenue	1.88%	1.78%	1.87%	1.88%	1.55%	
Average Annual Bill Impact	$ 1.07	$ 1.01	$ 1.06	$ 1.07	$ 0.88	

Paradise Valley Water District
Data per Paradise Valley Water Plant Table I

	2015	2016	2017	2018	2019	5 Year Total
Service Line Replacements	$ 813,727	$ 824,710	$ 930,283	$ 904,042	$ 761,957	$ 4,234,719
Valve Replacements	$ 203,628	$ 225,795	$ 242,691	$ 204,380	$ 229,975	$ 1,106,469
Main Replacements	$ 454,179	$ 346,614	$ 291,500	$ 362,142	$ 224,369	$ 1,678,804
	$ 1,471,534	$ 1,397,119	$ 1,464,474	$ 1,470,564	$ 1,216,301	$ 7,019,992
Return on Investment at 6.87%	$ 101,094	$ 95,982	$ 100,609	$ 101,028	$ 83,560	$ 482,273.45
Depreciation (net of tax)	$ 24,694	$ 23,445	$ 24,576	$ 24,678	$ 20,411	$ 117,804
Income Required	$ 125,789	$ 119,427	$ 125,185	$ 125,706	$ 103,971	$ 600,077.49
Revenue Required	$ 207,551	$ 197,055	$ 206,555	$ 207,414	$ 171,552	$ 990,128
Total Revenue	$ 10,489,588	$ 10,489,588	$ 10,489,588	$ 10,489,588	$ 10,489,588	$ 10,489,587.80
Percentage Increase	1.979%	1.879%	1.969%	1.977%	1.635%	9.439%
SIB increase after efficiency credit	1.88%	1.78%	1.87%	1.88%	1.55%	8.97%

FENNEMORE CRAIG, P.C.
Jay L. Shapiro (No. 014650)
2394 E. Camelback Road, Suite 600
Phoenix, Arizona 85016
Telephone (602) 916-5000
Attorneys for EPCOR Water Arizona Inc.

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF EPCOR WATER ARIZONA INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES FOR UTILITY SERVICE BY ITS MOHAVE WATER DISTRICT, PARADISE VALLEY WATER DISTRICT, SUN CITY WATER DISTRICT, TUBAC WATER DISTRICT, AND MOHAVE WASTEWATER DISTRICT.	DOCKET NO: WS-01303A-14-0010 ORIGINAL **NOTICE OF FILING CERTIFICATION OF PUBLICATION AND PROOF OF MAILING**

Pursuant to the procedural orders issued on April 28, 2014 and May 8, 2014, EPCOR Water Arizona Inc. ("EWAZ") hereby submits this Notice of Filing Certification of Publication and Proof of Mailing in the above-captioned matter.

On May 21 and May 22, EWAZ mailed notice to customers regarding EWAZ's rate application and the associated hearing set for December 2, 2014. Attached as **Exhibit A** are a certificate of mailing and a copy of the notice.

On May 22, 23 and 28, EWAZ published notice in the *Mohave Daily News, Daily News-Sun, and Nogales International*, and in Zones 7, 8 and 9 of *The Arizona Republic*. Proofs of publication are attached as **Exhibit B**.

RESPECTFULLY SUBMITTED this 12th day of June, 2014.

FENNEMORE CRAIG, P.C.

By ______________________
Jay L. Shapiro
Todd C. Wiley
2394 E. Camelback Road
Suite 600
Phoenix, Arizona 85016
Attorneys for EPCOR Water Arizona Inc.

ORIGINAL and thirteen (13) copies
of the foregoing were filed
this 12th day of June, 2014, with:

Docket Control
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, AZ 85007

COPY of the foregoing was hand-delivered
This 12th day of June, 2014, to:

Dwight D. Nodes, Assistant Chief Administrative Law Judge
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, AZ 85007

Robin Mitchell, Esq.
Matthew Laudone, Esq.
Legal Division
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, AZ 85007

Steve Olea, Director
Utilities Division
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, AZ 85007

Connie Walczak, Consumer Services
Utilities Division
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, AZ 85007

COPY of the foregoing was mailed this 12th day of June, 2014, to:

Daniel Pozefsky
Residential Utility Consumer Office
1110 West Washington Street, Suite 220
Phoenix, AZ 85007

Marshall Magruder
P.O. Box 1267
Tubac, Arizona 85646

By: Lila Robertson

9213883.2

EXHIBIT A

METER

UNITED STATES POSTAL SERVICE®

Certificate of Bulk Mailing

MAILER: Prepare this statement in ink. Affix meter, PC Postage®, or (uncanceled) postage stamps in payment of total fee due in the block to the right. Present to acceptance unit at the time of mailing. This certificate does not provide evidence that a piece was mailed to a particular address. If paying fee by permit imprint, enter information in the adjacent block to the right.

Mailers must affix meter, PC Postage, or (uncanceled) postage stamps here in payment of total fee due.

Fee for Certificate	
Up to 1,000 pieces (1 certificate for total number)	Use Current Price List (Notice 123)
For each additional 1,000 pieces, or fraction thereof	
Duplicate Copy ☐	

Acceptance employee must cancel postage affixed (by round-date) at the time of mailing.

If payment of total fee due is being paid by Permit Imprint, include the PostalOne! Transaction Number here: ____________

Number of Identical Weight Pieces	Class of Mail	Postage for Each Mailpiece Paid ☐ Verified	Number of Pieces to the Pound	Total Number of Pounds	Total Postage Paid for Mailpieces	Fee Paid
250	Flc				$ 274.10	

Mailed For: Don Simulac

Mailed By: SERVICE MAILERS, INC. 3101 EXPOSITION PLACE LOS ANGELES, CA 90018

Epcor proteedural

Postmaster's Certification

It is hereby certified that the number of mailpieces presented and the associated postage and fee were verified. This certificate does not provide evidence that a piece was mailed to a particular address.

230 x 1.15 20 x .480

____
(Postmaster or Designee)

w/o 37284 5-22-14

(213) 304-2939

PS Form **3606**, January 2013, *(Page 1 of 1)*

PRESORTED
STANDARD
US POSTAGE
PAID
SMI

EPCOR WATER

2355 West Pinnacle Peak Road, Suite 300
Phoenix, AZ 85027

epcor.com

PUBLIC NOTICE OF HEARING ON THE RATE APPLICATION OF EPCOR WATER ARIZONA, INC., FOR ITS MOHAVE WATER DISTRICT, PARADISE VALLEY WATER DISTRICT, SUN CITY WATER DISTRICT, TUBAC WATER DISTRICT, AND MOHAVE WASTEWATER DISTRICT. DOCKET NO. WS-01303A-14-0010

Summary

On March 10, 2014, EPCOR Water Arizona, Inc. ("EPCOR" or "Company") filed with the Arizona Corporation Commission ("Commission") an application for a determination of the fair value of its utility plant and property and for increases in its water and wastewater rates and charges for utility service by its Mohave Water District, Paradise Valley Water District, Sun City Water District, Tubac Water District, and Mohave Wastewater District.

For its **Mohave Water District**, EPCOR's application requests an annual revenue increase of approximately $2,022,451, or 32.36 percent, over current revenues. For average consumption (6,800 gallons per month) 5/8 x 3/4-inch meter residential customers of the Mohave Water District, EPCOR's request would increase monthly rates by 43.92 percent, or $9.06. EPCOR is also requesting approval of a System Improvement Benefits ("SIB") surcharge. **If you would like to calculate the bill impact of the Company's proposal based on your consumption, please view its website at epcor.com or contact Customer Service at 1.800.383.0834.**

THE COMMISSION'S UTILITIES DIVISION ("STAFF") HAS NOT YET MADE A RECOMMENDATION REGARDING THE APPLICATION. STAFF'S EVALUATION OF THE APPLICATION MAY RESULT IN A RECOMMENDATION THAT THE COMMISSION APPROVE OR DENY THE COMPANY'S PROPOSALS, OR THAT THE COMPANY'S CURRENT OVERALL RATES BE EITHER DECREASED OR INCREASED. THE COMMISSION IS NOT BOUND BY THE PROPOSALS OF THE COMPANY, STAFF, OR ANY INTERVENORS. THE COMMISSION WILL DETERMINE THE APPROPRIATE RATEMAKING TREATMENT OF THE REVENUES AND EXPENSES RELATED TO EPCOR'S APPLICATION BASED ON THE EVIDENCE PRESENTED IN THIS PROCEEDING.

If you have any questions concerning how the Application may affect your bill or other substantive questions about the Application, you may contact the Company at: **EPCOR Water, Attention: Rate Case Questions, 2355 W. Pinnacle Peak Road, Suite 300, Phoenix, AZ 85027, email RateCaseQuestions@epcor.com, or phone 1.800.383.0834.**

How You Can View or Obtain a Copy of the Application
Copies of the Application are available at the Company's offices at 15 Burruel Street, Tubac, Arizona, on the Company's website at epcor.com and at the Commission's Docket Control Center at 1200 West Washington Street, Phoenix, Arizona, and 400 West Congress Street, Suite 218, Tucson, Arizona, and on the Internet via the Commission website (/www.azcc.gov/) using the e-Docket function.

Arizona Corporation Commission Public Hearing Information
The Commission will hold a hearing on this matter beginning **December 2, 2014, at 10:00 a.m.**, at the Commission's offices, Hearing Room #1, 1200 West Washington Street, Phoenix, Arizona. Public comments will be taken on the first day of the hearing. Written public comments may be submitted by mailing a letter referencing Docket No. WS-01303A-14-0010 to Arizona Corporation Commission, Consumer Services Section, 1200 West Washington Street, Phoenix, AZ 85007, or by e-mail. For a form to use and instructions on how to e-mail comments to the Commission, go to http://www.azcc.gov/Divisions/Utilities/forms/PublicCommentForm.pdf. If you require assistance, you may contact Consumer Services at 602.542.4251 or outside the metro Phoenix area at 1.800.222.7000.

If you do not intervene in this proceeding, you will receive no further notice of the proceedings in this docket. However, all documents filed in this docket are available online (usually within 24 hours after docketing) at the Commission's website www.azcc.gov using the e-Docket function, located at the bottom of the website homepage. RSS feeds are also available through e-Docket.

About Intervention
The law provides for an open public hearing at which, under appropriate circumstances, interested parties may intervene. Any person or entity entitled by law to intervene and having a direct and substantial interest in the matter will be permitted to intervene.

If you wish to intervene, you must file an original and 13 copies of a written motion to intervene with the Commission no later than **July 1, 2014**, and send a copy of the motion to EPCOR or its counsel and to all parties of record. Your motion to intervene must contain the following:

1. Your name, address, and telephone number, and the name, address, and telephone number of any party upon whom service of documents is to be made, if not yourself;
2. A short statement of your interest in the proceeding (e.g., a customer of EPCOR, a shareholder of EPCOR, etc.); and
3. A statement certifying that you have mailed a copy of the motion to intervene to EPCOR or its counsel and to all parties of record in the case.

The granting of motions to intervene shall be governed by A.A.C. R14-3-105, except that all motions to intervene must be filed on or before July 1, 2014. All parties must comply with Rules 31 and 38 of the Rules of the Arizona Supreme Court and A.R.S. § 40-243 with respect to the practice of law. For information about requesting intervention, go to http://www.azcc.gov/divisions/utilities/FORMS/interven.pdf. The granting of intervention entitles a party to present sworn evidence at hearing and to cross-examine other witnesses. However, failure to intervene will not preclude any interested person or entity from appearing at the hearing and providing public comment on the application or from filing written comments in the record of the case.

ADA/Equal Access Information
The Commission does not discriminate on the basis of disability in admission to its public meetings. Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting the ADA Coordinator, Shaylin Bernal, e-mail sabernal@azcc.gov, voice phone number 602.542.3931. Requests should be made as early as possible to allow time to arrange the accommodation.

EXHIBIT B

Proof of Publication

STATE OF ARIZONA)
County of Mohave) ss
Sherry Milks, being first duly sworn, says that during the publication of notice, as herein mentioned, he/she was and now is the **Legal Clerk** of the ***MOHAVE DAILY NEWS.*** Six times weekly newspaper published on Sunday, Monday, Tuesday, Wednesday, Thursday, and Friday of each and every week at the city of Bullhead City, in said County.

That said newspaper was printed and published as aforesaid on the following dates, to-wit:

May 22, 2014

That the **PUBLIC NOTICE** of which the annex copy is a printed and true copy, was printed and inserted in each and every copy of said newspaper printed and published on the dates aforesaid, and in the body of said newspaper and not in a supplement thereto.

Sherry Milks
Clerk

Subscribed and sworn to before me this 22

day of May, 2014

Laura J Sullivan-Burger
Notary Public

My commission expire 10-2-2016

LAURA J SULLIVAN-BURGER
Notary Public - Arizona
Mohave County
My Comm. Expires Oct 2, 2016

Proof of Publication

STATE OF ARIZONA)
County of Mohave) ss
Sherry Milks, being first duly sworn, says that during the publication of notice, as herein mentioned, he/she was and now is the **Legal Clerk** of the ***MOHAVE DAILY NEWS.*** Six times weekly newspaper published on Sunday, Monday, Tuesday, Wednesday, Thursday, and Friday of each and every week at the city of Bullhead City, in said County.

That said newspaper was printed and published as aforesaid on the following dates, to-wit:

May 22, 2014

That the **PUBLIC NOTICE** of which the annex copy is a printed and true copy, was printed and inserted in each and every copy of said newspaper printed and published on the dates aforesaid, and in the body of said newspaper and not in a supplement thereto.

Sherry Milks
Clerk

Subscribed and sworn to before me this 22

day of May, 2014

Laura J. Sullivan-Burger
Notary Public

My commission expire 10-2-2016

LAURA J SULLIVAN-BURGER
Notary Public - Arizona
Mohave County
My Comm. Expires Oct 2, 2016

Legal Notices

surance producer as required by ARS Section 33-803, Subsection A. Name of Trustee's Regulator: Arizona Department of Insurance. ACCORDING TO THE DEED OF TRUST OR UPON INFORMATION SUPPLIED BY THE BENEFICIARY, THE FOLLOWING INFORMATION IS PROVIDED PURSUANT TO A.R.S. SECTION 33-808(C): Street address or identifiable location: 2986 NORTH SAGE STREET KINGMAN, AZ 86401 A.P.N.: 311-04-365 Original Principal Balance: $217,948.00 Name and address of original trustor: (as shown on the Deed of Trust) JOHN I. ELDER A SINGLE MAN AND STEPHANIE A LEONARD, A SINGLE WOMAN, JOINT TENANTS WITH RIGHT OF SURVIVORSHIP 2986 NORTH SAGE STREET KINGMAN, AZ 86401 Name and address of beneficiary: (as of recording of Notice of Sale) Bank of America, N.A c/o Carrington Mortgage Services, LLC 1610 E. St. Andrews Pl. Santa Ana, CA 92705 If the Trustee is unable to convey title for any reason, the successful bidder's sole and exclusive remedy shall be the return of monies paid to the Trustee and the successful bidder shall have no further recourse. The undersigned Trustee disclaims any liability for any incorrectness of the street address and other common designations, if any, shown herein. Said sale will be made, but without covenant or warranty, expressed or implied regarding title, possession, or encumbrances, to pay the unpaid principal balance of the note(s) secured by said Deed of Trust, with interest thereon as provided in said note(s), advances, if any, under the terms of said Deed of Trust, including fees, charges and expenses of the Trustee. Conveyance of the property shall be without warranty, express or implied, and subject to all liens, claims or interests having a priority senior to the Deed of Trust. The Trustee shall not express an opinion as to the condition of title. NAME, ADDRESS and TELEPHONE NUMBER OF TRUSTEE: (as of recording of Notice of Sale) Carrington Foreclosure Services, LLC P.O. Box 16245 Irvine, California 92623-6245 (888)313-1969 Dated: 3/31/2014 Carrington Foreclosure Services, LLC Tai Alailima, Manager Sale information can be obtained online at www.lpsasap.com or use the automated sales information at (714) 730-2727 A-4455825 Publish: May 1, 2014 May 8, 2014 May 15, 2014 May 22, 2014 #00025934

PUBLIC NOTICE OF HEARING ON THE RATE APPLICATION OF EPCOR WATER ARIZONA, INC., FOR ITS MOHAVE WATER DISTRICT, PARADISE VALLEY WATER DISTRICT, SUN CITY WATER DISTRICT, TUBAC WATER DISTRICT, AND MOHAVE WASTEWATER DISTRICT. DOCKET NO. WS-01303A-14-0010

Summary
On March 10, 2014, EPCOR Water Arizona, Inc. ("EPCOR" or "Company") filed with the Arizona Corporation Commission ("Commission") an application for a determination of the fair value of its utility plant and property and for increases in its water and wastewater rates and charges for utility service by its Mohave Water District, Paradise Valley Water District, Sun City Water District, Tubac Water District, and Mohave Wastewater District.

For its **Mohave Water District**, EPCOR's application requests an annual revenue increase of approximately $2,022,451, or 32.36 percent, over current revenues. For average consumption (6,800 gallons per month) 5/8 x 3/4-inch meter residential customers of the Mohave Water District, EPCOR's request would increase monthly rates by 43.92 percent, or $9.06. EPCOR is also requesting approval of a System Improvement Benefits ("SIB") surcharge. **If you would like to calculate the bill impact of the Company's proposal based on your consumption, please view its website at epcor.com or contact Customer Service at 1.800.383.0834.**

THE COMMISSION'S UTILITIES DIVISION ("STAFF") HAS NOT YET MADE A RECOMMENDATION REGARDING THE APPLICATION. STAFF'S EVALUATION OF THE APPLICATION MAY RESULT IN A RECOMMENDATION THAT THE COMMISSION APPROVE OR DENY THE COMPANY'S PROPOSALS, OR THAT THE COMPANY'S CURRENT OVERALL RATES BE EITHER DECREASED OR INCREASED. THE COMMISSION IS NOT BOUND BY THE PROPOSALS OF THE COMPANY, STAFF, OR ANY INTERVENORS. THE COMMISSION WILL DETERMINE THE APPROPRIATE RATEMAKING TREATMENT OF THE REVENUES AND EXPENSES RELATED TO EPCOR'S APPLICATION BASED ON THE EVIDENCE PRESENTED IN THIS PROCEEDING.

If you have any questions concerning how the Application may affect your bill or other substantive questions about the Application, you may contact the Company at: **EPCOR Water, Attention: Rate Case Questions, 2355 W. Pinnacle Peak Road, Suite 300, Phoenix, AZ 85027, email RateCaseQuestions@epcor.com, or phone 1.800.383.0834.**

How You Can View or Obtain a Copy of the Application
Copies of the Application are available at the Company's offices at 860 Gemstone Avenue, Bullhead City, Arizona, on the Company's website at epcor.com and at the Commission's Docket Control Center at 1200 West Washington Street, Phoenix, Arizona, and 400 West Congress Street, Suite 218, Tucson, Arizona, and on the internet via the Commission website (www.azcc.gov/) using the e-Docket function.

Arizona Corporation Commission Public Hearing Information
The Commission will hold a hearing on this matter beginning **December 2, 2014, at 10:00 a.m.**, at the Commission's offices, Hearing Room #1, 1200 West Washington Street, Phoenix, Arizona. Public comments will be taken on the first day of the hearing. Written public comments may be submitted by mailing a letter referencing Docket No. WS-01303A-14-0010 to Arizona Corporation Commission, Consumer Services Section, 1200 West Washington Street, Phoenix, AZ 85007, or by e-mail. For a form to use and instructions on how to e-mail comments to the Commission, go to http://www.azcc.gov/Divisions/Utilities/forms/PublicCommentForm.pdf. If you require assistance, you may contact Consumer Services at 602.542.4251 or outside the metro Phoenix area at 1.800.222.7000.

If you do not intervene in this proceeding, you will receive no further notice of the proceedings in this docket. However, all documents filed in this docket are available online (usually within 24 hours after docketing) at the Commission's website www.azcc.gov using the e-Docket function, located at the bottom of the website homepage. RSS feeds are also available through e-Docket.

About Intervention
The law provides for an open public hearing at which, under appropriate circumstances, interested parties may intervene. Any person or entity entitled by law to intervene and having a direct and substantial interest in the matter will be permitted to intervene.

If you wish to intervene, you must file an original and 13 copies of a written motion to intervene with the Commission no later than **July 1, 2014**, and send a copy of the motion to EPCOR or its counsel and to all parties of record. Your motion to intervene must contain the following:

1. Your name, address, and telephone number, and the name, address, and telephone number of any party upon whom service of documents is to be made, if not yourself;

2. A short statement of your interest in the proceeding (e.g., a customer o f EPCOR, a shareholder of EPCOR, etc.); and

3. A statement certifying that you have mailed a copy of the motion to intervene to EPCOR or its counsel and to all parties of record in the case.

The granting of motions to intervene shall be governed by A.A.C. R14-3-105, except that all motions to intervene must be filed on or before July 1, 2014. All parties must comply with Rules 31 and 38 of the Rules of the Arizona Supreme Court and A.R.S. § 40-243 with respect to the practice of law. For information about requesting intervention, go to http://www.azcc.gov/divisions/utilities/FORMS/interven.pdf. The granting of intervention entitles a party to present sworn evidence at hearing and to cross-examine other witnesses. However, failure to intervene will not preclude any interested person or entity from appearing at the hearing and providing public comment on the application or from filing written comments in the record of the case.

ADA/Equal Access Information
The Commission does not discriminate on the basis of disability in admission to its public meetings. Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting the ADA Coordinator, Shaylin Bernal, e-mail sabernal@azcc.gov, voice phone number 602.542.3931. Requests should be made as early as possible to allow time to arrange the accommodation.
PUBLISH: May 22, 2014
#00026558

fast classifieds

060 ANNOUNCEMENTS · 100 SERVICES · 200 RENTALS · 300 REAL ESTATE · 400 BUS. & FINANCIAL · 500 EMPLOYMENT · 600 STUFF · 700 PETS / LIVESTOCK · 800 REC. VEHICLES · 900 TRANSPORTATION

ANNOUNCEMENTS 060

060 Announcements

NOTICE
LIMITS OF LIABILITY
PLEASE READ YOUR AD ON THE FIRST DAY OF PUBLICATION TO CHECK FOR ACCURACY.

We accept responsibility only for the first incorrect insertion. The Publisher assumes no financial responsibility for errors nor for omission of copy. Liability shall not exceed the cost of that portion of space occupied by such error.

Deadlines for cancellation are identical to placement deadlines.

Ads are subject to the approval of this newspaper which reserves the right to edit, reject, or properly classify any ad.

NOTICE TO OUR CLASSIFIED CUSTOMERS

All real estate advertised herein is subject to the Federal Fair Housing Act. The Federal Fair Housing Act (Title VIII) makes it unlawful to make, print or publish any advertisement with respect to the sale or rental of a dwelling that indicates a preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status, marital status, national origin, ancestry or age. Under federal and state law, liability for discriminatory ads flows both to the advertiser and the publishers.

We will not knowingly accept any advertising for real estate which is in violation of the law. All persons are hereby informed that all dwellings advertised are available on an equal opportunity basis.

075 Lost & Found

FOUND GRAY CAT, long hair, blue eyes, at Mesa Vista Lane approx. May 12 (928)763-3536

LOST SET OF keys 49ERS KEYCHAIN between Marina on Rio Grande on May 15. PLEASE CALL (928)210-6711

085 Personals

MALE WANTING TO RIDE on back seat of motor bike or be a male companion. (928)530-9562

SERVICES 100

105 Health & Beauty / Offers / Services

YOLIE'S HAIR SOLUTIONS: Wigs and much more!! Come see me at 5870 Hwy 95 Suite 215, MV. (909)913-2965

110 Schools & Instruction

LEARN TO EARN
The Legacy Rehab & Care Center and The River Gardens Rehab & Care Center are now accepting applications for their next Certified Nursing Assistant class. Applications can be filled out at 2812 Silver Creek Rd. Applicants must be able to pass drug screening and background check.

190 Service Directory

RENTALS 200

Looking for a new home or rental?
Check the FAST Classifieds at www.mohavedailynews.com

200 Rentals

ATTENTION LANDLORDS!
Our Professional Property Management Services include tenant placement, prompt rent disbursement, routine inspections, monthly reports and more.
[redacted](928)704-6788
[redacted](877)784-6780
www.BullheadLaughlin.com

205 Apartment / Duplex Rentals

Lilly Hill Apartments
Quality Living at an Affordable Price
Accepting Applications
For 1 2 3 bedroom apartment homes
Rent and Deposit based on income
Central A/C and Heating-Laundry Room
On site Management-Playgrounds
1001 Lilly Hill Dr. Needles CA 92363
760-326-3433/
1-800-735-2929-TDD/TTY
lilyhill@themichaelsorg.com
lillyhill.irmmanagement.com
This institution is an equal opportunity Provider and Employer

MOVE IN SPECIAL $479
First Month Rent only $79
2BR 2bath Available Now!!
Starting $465 and Up a Month
Include A/C, Stove, Refrigerator,
Laundry, Parking and More!
Call Mary (928)758-4731
Or Karen (310)307-6403
1767 North Ave and
1345 NAVAJO ST.
BULLHEAD CITY, AZ

WHY PAY MORE??? 1BR apartments. We pay all utilities, free DirecTV, WiFi, small deposit, 10am-4pm Mon-Fri. (928)754-4151, visit website: oasisparkapts.com

MOVE-IN SPECIALS
Studios at $350
1BR also available NOW!!!
Include A/C, Stove, Refrigerator
Laundry, Parking and More!
Call Tracy (928)704-6667
Or Karen (310)307-6403
1575 E. Courtney Pk. Place
Fort Mohave, AZ

1BR and 2BR Apartments, (1) handicap unit available, directly across from casinos. All utilities/cable included. Pool, laundry, small pets OK. Call for pricing (928)754-3621-(928)219-167

SPECIALS: Laundry, Newly Remodeled, Cable Included.
1, 2, 3BR's $350-$550 (928)763-3737

2BR APARTMENT on Golf Course, all major appliances included. Water/Trash/Cable TV paid. $650/mo. (928)758-4270 or (702)371-9402

BHC: 4-PLEX 1BR 1bath, nice, all appliances, trash/water paid, $390/mo. (928)704-3267-(928)763-4949

MOVE-IN SPECIAL
Apartments for Rent:
Furnished studios..........$385
1BR furnished..............$425
---Pool ---Laundry
(928)758-6959-(928)758-6212

HOLIDAY SHORES: 2BR 2bath, fenced, garage, $600/mo. $400/deposit (928)279-6319-(928)758-5723

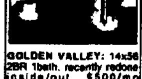
215 Hotel / Motel Room Rentals

---$99 FIRST WEEK!---
$22/Daily $399/Monthly single occupancy. (760)590-0600

220 Mobile / Mfd Home Rental

2BR 1BATH: $535/mo. $600/dep. Call Debbie (702)722-1582 leave message. Available June 1st.

2BR 1BATH SPACIOUS, clean mobile. Arizona room, deep boat garage, fenced yard. Pebble Lake area. Pets limited to assistive animals. $650/mo. Call for an appointment (928)768-9775



GOLDEN VALLEY: 14x56 2BR 1bath, recently redone inside/out, $500/mo Available JUNE 1! Leave phone# with area code. (928)763-7303

220 Mobile / Mfd Home Rental

BHC 1798sqft, 2BR 2BATH, plus bonus room, refrigerator, stove, A/C, fenced, fans $595/mo. (818)882-6603

235 Room To Rent / Roommates Wanted

ARE YOU LOOKING For a Room to Rent? Sunny BHC, AZ overlooking casinos at Laughlin, NV. (928)754-3447

250 RV Spaces / RV Rentals

$299 SPECIAL!!!
RV Spaces and Rentals Available. Cable TV on site. Private Dock - (928)754-3590

LOWEST PRICE RV PARK
$150 month We Pay Moving
Newly Renovated • Great Service
Crossroads RV • (928)768-3303

260 Storage Space Rentals

PERFORMANCE SELF STORAGE: (928)768-4383 Best Prices! Just Upgraded! fortmohaveselfstorage.com

262 Condo / Townhomes, AZ Rentals

2BR 2BATH COVERED parking, refrigerator, range, newly remodeled, $550/mo. S. Port Inv. (928)727-2996

$395 BHC EXTRA large studio: Furnished, patio, small garage, bus, 1364 Ramar Bay. (818)388-6011 (818)388-4626

RIVERVIEW BLUFF 1BR 1bath furnished condo, pool, gym $650/mo. plus dep. Move-in ready (770)296-3197

264 Condo / Townhomes, NV Rentals

NICE 2BR 2 FULL BATH, all major appliances, clubhouse and pool. $850/mo. (928)758-4270 (702)371-9402

265 Home Rentals, Arizona

432 SANTA MARIA
3BR 2bath with attached garage $750/mo. Call Doug (928)234-1910

BHC: 3BR 2BATH 2-CAR garage, community pool, all mostly new tile, fully fenced, new paint. $800/mo. Call Rosy at (928)234-0350.

BEAUTIFUL POOL HOME
3BR, 2Bath home on half acre. Over 2,200 sq.ft. living area. 2 car garage, covered patio. $1,200/mo.
[redacted](928)704-6788
[redacted](877)784-6780
www.BullheadLaughlin.com

FORT MOHAVE 3BR 2bath, fenced, RV access, nice neighborhood. $900/mo. (928)768-0193

$800 and $900, 3BR, garage, fenced yard, trash and sewer paid. (928)758-8829 or (928)201-8829

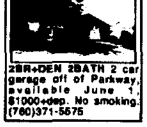
FT. MOHAVE - 3BR 2bath,
2 car, RV access........$975
MOHAVE VALLEY
3BR 2bath 2car............$740
A-1 Property Management
(928)718-HOME (4663)
www.A-1rents.com

GORGEOUS 2BR 2BATH all appliances, granite counter top, fenced yard. $695. S. Port Inv. (928)727-2996

BHC: 2BR 2BATH, large fenced yard, RV parking, huge carport, $775. (928)754-2466

LEASE OPTION 100% rent towards down payment. 2BR 2BATH, $800. Ft. Mojave. (928)542-7623-(916)718-5851

1ST MONTH FREE!
2BR 2bath $500 and up!
Keytime...(928)763-1353



2BR+DEN 2BATH 2 car garage off of Parkway, available June 1, $1000+dep. No smoking. (760)371-5575

Falling gold prices hitting Nevada budget

CARSON CITY, Nev. (AP) — A slump in gold prices is creating a hole in Nevada's state coffers.

Revenue from the net proceeds tax is about $70 million short of projections made a year ago, state officials said.

Gov. Brian Sandoval's office said while that's a sizeable chunk, the shortfall is a relatively small part of the overall $6.6 billion general fund budget.

Mining companies pay a net proceeds tax on minerals they take out of the ground. It's in addition to payroll, property and sales taxes.

The budget approved by lawmakers last year assumed Nevada would get $93 million in net proceeds from mining. Instead, it took in only $20 million.

"Governor Sandoval is working to address the shortfall from the net proceeds, and has directed the Budget Office to work with the (Legislature's) Fiscal Division to formulate options," Sandoval spokesman Mac Bybee told the Las Vegas Review-Journal.

He noted the deficit is a result of the tax revenue falling short of projections for this fiscal year from the Economic Forum, an independent panel of fiscal experts. The forum projects how much money Nevada will take in from various tax sources, and its forecast is used to create the state budget.

"It is important to note that this reduction will not affect the state's ability to meet its day-to-day obligations," Bybee said. "Legislative leadership has been notified and will continue to be a part of the discussions as we move forward."

Tim Crowley, president of the Nevada Mining Association, attributed the revenue drop to declines in gold prices and higher production costs.

Gold prices have fallen from around $1,700 an ounce in January 2013 to about $1,300 today.

Economic Forum members will get an update on tax revenue streams when they meet June 3. They will gather late this year to make preliminary projections before the governor presents his budget to the 2015 Legislature, which convenes in February.

California parks director retires

SACRAMENTO, Calif. (AP) — California's state parks director abruptly announced his retirement Wednesday, just 19 months after he took control of a department that had been rocked by years of fiscal mismanagement.

Anthony Jackson, a retired Marine Corps major general, said in a statement that his tenure "has been a challenging, but ultimately fulfilling" one.

The major initiative launched under his tenure, a commission formed to make recommendations about the operation of the California Department of Parks and Recreation, still has another year of meetings remaining.

Gov. Jerry Brown appointed Jackson to the position in November 2012 after the previous director resigned following disclosures that the department kept $54 million hidden in two special funds for more than a decade, even as budget cuts threatened to close 70 of nearly 280 state parks.

Jackson had spent most of his career in the military. On the day he was sworn in as parks director, he said he was "kind of stunned I'm in this position, but I'm also exhilarated."

Jackson's retirement from the $150,000-a-year position will take effect June 30.

Parks department spokeswoman Vicky Waters said Jackson's decision was prompted not by health concerns or other reasons but was "just a decision to retire after 40 years of public service."

"He spent the last year and a half setting us on the right path," she said.

She added that Jackson helped the department regain the public's trust. A request by The Associated Press to speak directly to Jackson was not immediately fulfilled.

Elizabeth Goldstein, president of the California State Parks Foundation, said she was not surprised by Jackson's announcement because he had said when he took the post that he was likely to serve through the governor's current term, which ends in January.

"We're sorry to see the general go," she said. "He's certainly been at the helm through some choppy waters."

The foundation is a private nonprofit that advocates and raises money for the state park system, the largest in the nation.

California Natural Resources Secretary John Laird said in a statement that Jackson "came to the department during its darkest hour, bringing stability and consistency."

An audit released a month after he took office cited poor management and insufficient training at the department. Auditors with the state Department of Finance found that for 19 years, parks staff intentionally underreported funds used by the governor's office to craft the state budget.

The audit also said parks employees made improper charges on state-issued credit cards, among other findings. It was released days after the state controller disclosed that managers overpaid parks employees more than $500,000 over a three-year period.

At the time, Jackson said he agreed with most of the findings and would implement stronger internal controls.

The independent, privately funded Parks Forward Commission was created in June with the task of studying the size of the park system, money-generating opportunities and leadership at the department, among other topics. The panel includes private-sector business leaders.

Its first report to the Legislature and Brown is due this fall.

Legal Notices

IN THE SUPERIOR COURT OF THE STATE OF ARIZONA IN AND FOR THE COUNTY OF MOHAVE
Case No. PB2014-04094
NOTICE TO CREDITORS

IN THE MATTER OF THE ESTATE OF.
JOSEPH IGNATIUS KOCARNICK a/k/a JOSEPH I. KOCARNIK
Deceased

NOTICE IS HEREBY GIVEN that SALLY J. BAKER has been appointed Personal Representative of this Estate. All persons having claims against the Estate are required to present their claims within four months after the date of the first publication of this notice or the claims will be forever barred. Claims must be presented by delivering or mailing a written statement of the claim to the Personal Representative at c/o MONTANTE LAW, P.C. 3850 S. Pointe Circle, Suite 110 Laughlin, Nevada 89029
DATED this 12th day of May, 2014
Alexander Montante, Esq.
Publish: May 15, 2014
May 22, 2014
May 29, 2014
#00026321

ADES'S NOTICE OF PUBLICATION HEARING ON DEPENDENCY PETITION
No. JD – 2014-04036
(Honorable Richard Weiss)
IN THE SUPERIOR COURT OF THE STATE OF ARIZONA IN AND FOR THE COUNTY OF MOHAVE

In the Matter of:
SHAYLA THORN
d.o.b. 07/17/2013
Person(s) under 18 years of age.
TO: SAVANNAH FAITH THORN, COREY STRIEVE, and JOHN DOE (a fictitious name), parents and/or guardians of the above-named child.

1. The Arizona Department of Economic Security, (ADES or the Department), by and through undersigned counsel, has filed a Dependency Petition pursuant to Title 8, of the Arizona Revised Statutes, and Rule 48 of the Arizona Rules of Procedure for the Juvenile Court.
2. The Court has set a Publication hearing on the 25th day of July, 2014 at 11:45 a.m., at the Mohave County Superior Court, 2225 Trane Road, Bullhead City, AZ 86442, before the Honorable Richard Weiss for the purpose of determining whether any parent or guardian named herein is contesting the allegations in the Petition.
3. You and your child are entitled to have an attorney present at the hearing. You may hire your own attorney or, if you cannot afford an attorney and want to be represented by an attorney, one may be appointed by the Court.
4. You have a right to appear as a party in this proceeding. You are advised that your failure to personally appear in court at the initial hearing, pretrial conference, status conference, or dependency adjudication, without good cause shown, may result in a finding that you have waived your legal rights and have admitted the allegations in the Petition. In addition, if you fail to appear, without good cause, the hearing may go forward in your absence and may result in an adjudication of dependency, termination of your parental rights or the establishment of a permanent guardianship based upon the record and the evidence presented to the court, as well as an order of paternity, custody, or change of custody in a consolidated family law matter and an order for child support if paternity has been established.
5. If you are receiving this Notice by publication, you may obtain a copy of the Dependency Petition, Notice of Hearing, and Temporary Orders by submitting a written request to: Elizabeth Moss, Office of the Attorney General, 519 E. Beale Street, Suite 120, Kingman, Arizona 86401. The assigned case manager is Jason Burns and may be reached by telephone at (928) 704-7778.
6. Requests for reasonable accommodation for persons with disabilities must be made to the court by parties at least three working days in advance of a scheduled court proceeding and can be made by calling (928) 753-0713.
7. You have the right to make a request or motion prior to any hearing that the hearing be closed to the public.
DATED this 8th day of May, 2014.
THOMAS C. HORNE
Attorney General
Elizabeth Moss
Assistant Attorney General
CRB-3821813#
Publish: May 15, 2014
May 22, 2014
May 29, 2014
June 5, 2014
#00026297

Legal Notices

PUBLIC NOTICE OF HEARING ON THE RATE APPLICATION OFEPCOR WATER ARIZONA, INC., FOR ITS MOHAVE WATER DISTRICT,PARADISE VALLEY WATER DISTRICT, SUN CITY WATER DISTRICT, TUBAC WATER DISTRICT, AND MOHAVE WASTEWATER DISTRICT. DOCKET NO. WS-01303A-14-0010

Summary
On March 10, 2014, EPCOR Water Arizona, Inc. ("EPCOR" or "Company") filed with the Arizona Corporation Commission ("Commission") an application for a determination of the fair value of its utility plant and property and for increases in its water and wastewater rates and charges for utility service by its Mohave Water District, Paradise Valley Water District, Sun City Water District, Tubac Water District, and Mohave Wastewater District.

For its Mohave Wastewater District, EPCOR's application requests an annual revenue increase of approximately $467,807, or 44.3 percent, over current revenues. For residential customers of the Mohave Wastewater District, EPCOR's request would increase monthly rates by 46.4 percent, or by $26.24.

THE COMMISSION'S UTILITIES DIVISION ("STAFF") HAS NOT YET MADE A RECOMMENDATION REGARDING THE APPLICATION. STAFF'S EVALUATION OF THE APPLICATION MAY RESULT IN A RECOMMENDATION THAT THE COMMISSION APPROVE OR DENY THE COMPANY'S PROPOSALS, OR THAT THE COMPANY'S CURRENT OVERALL RATES BE EITHER DECREASED OR INCREASED. THE COMMISSION IS NOT BOUND BY THE PROPOSALS OF THE COMPANY, STAFF, OR ANY INTERVENORS. THE COMMISSION WILL DETERMINE THE APPROPRIATE RATEMAKING TREATMENT OF THE REVENUES AND EXPENSES RELATED TO EPCOR'S APPLICATION BASED ON THE EVIDENCE PRESENTED IN THIS PROCEEDING.

If you have any questions concerning how the Application may affect your bill or other substantive questions about the Application, you may contact the Company at: **EPCOR Water, Attention: Rate Case Questions, 2355 W. Pinnacle Peak Road, Suite 300, Phoenix, AZ 85027, email RateCaseQuestions@epcor.com, or phone 1.800.383.0834.**

How You Can View or Obtain a Copy of the Application
Copies of the Application are available at the Company's offices at 860 Gemstone Avenue, Bullhead City, Arizona, on the Company's website at epcor.com and at the Commission's Docket Control Center at 1200 West Washington Street, Phoenix, Arizona, and 400 West Congress Street, Suite 218, Tucson, Arizona, and on the internet via the Commission website (/www.azcc.gov/) using the e-Docket function.

Arizona Corporation Commission Public Hearing Information
The Commission will hold a hearing on this matter beginning December 2, 2014, at 10:00 a.m., at the Commission's offices, Hearing Room #1, 1200 West Washington Street, Phoenix, Arizona. Public comments will be taken on the first day of the hearing. Written public comments may be submitted by mailing a letter referencing Docket No. WS-01303A-14-0010 to Arizona Corporation Commission, Consumer Services Section, 1200 West Washington Street, Phoenix, AZ 85007, or by e-mail. For a form to use and instructions on how to e-mail comments to the Commission, go to http://www.azcc.gov/Divisions/Utilities/forms/PublicCommentForm.pdf. If you require assistance, you may contact Consumer Services at 602.542.4251 or outside the metro Phoenix area at 1.800.222.7000.

If you do not intervene in this proceeding, you will receive no further notice of the proceedings in this docket. However, all documents filed in this docket are available online (usually within 24 hours after docketing) at the Commission's website www.azcc.gov using the e-Docket function, located at the bottom of the website homepage. RSS feeds are also available through e-Docket.

About Intervention
The law provides for an open public hearing at which, under appropriate circumstances, interested parties may intervene. Any person or entity entitled by law to intervene and having a direct and substantial interest in the matter will be permitted to intervene.

If you wish to intervene, you must file an original and 13 copies of a written motion to intervene with the Commission no later than **July 1, 2014**, and send a copy of the motion to EPCOR or its counsel and to all parties of record. Your motion to intervene must contain the following:

1. Your name, address, and telephone number, and the name, address, and telephone number of any party upon whom service of documents is to be made, if not yourself;

2. A short statement of your interest in the proceeding (e.g., a customer of EPCOR, a shareholder of EPCOR, etc.); and

3. A statement certifying that you have mailed a copy of the motion to intervene to EPCOR or its counsel and to all parties of record in the case.

The granting of motions to intervene shall be governed by A.A.C. R14-3-105, except that all motions to intervene must be filed on or before **July 1, 2014**. All parties must comply with Rules 31 and 38 of the Rules of the Arizona Supreme Court and A.R.S. § 40-243 with respect to the practice of law. For information about requesting intervention, go to http://www.azcc.gov/divisions/utilities/FORMS/Interven.pdf. The granting of intervention entitles a party to present sworn evidence at hearing and to cross-examine other witnesses. However, failure to intervene will not preclude any interested person or entity from appearing at the hearing and providing public comment on the application or from filing written comments in the record of the case.

ADA/Equal Access Information
The Commission does not discriminate on the basis of disability in admission to its public meetings. Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting the ADA Coordinator, Shaylin Bernal, e-mail sabernal@azcc.gov, voice phone number 602.542.3931. Requests should be made as early as possible to allow time to arrange the accommodation.
PUBLISH: May 22, 2014
#00026557

ARTICLES OF ORGANIZATION HAVE BEEN FILED IN THE OFFICE OF THE ARIZONA CORPORATION COMMISSION FOR
Name: SUN RIVER SALES, LLC
The address of the known place of business is:
1886 Arcadia Circle W., Bullhead City, AZ 86442
The name and street address of the Statutory Agent is:
William A. Turner
1886 Arcadia Circle W., Bullhead City, AZ 86442
B. Management of the limited liability company is reserved to the members. The names and addresses of each person who is a member are:
William A. Turner - Member
1886 Arcadia Circle W.
Bullhead City, AZ 86442
Publish:MAY 21, 2014
MAY 22, 2014
MAY 23, 2014
#00026827A-1623770-8

NOTICE OF TRUSTEE'S SALE TS#: 13-12690 Loan #: 7000047183 Order #: 95507034 The following legally described trust property will be sold, pursuant to the power of Sale under that certain Deed of Trust dated 9/5/2008 and recorded on 9/12/2008 as instrument # 2008061398, Book 7303 Page 879 in the office of the County Recorder of Mohave County, Arizona, at public auction to the highest bidder at On the front steps of the Mohave County Courthouse located at 401 Spring Street, Kingman AZ 86401, on 7/3/2014 at 11:00 AM of said day: LOT 16 AND 17, BLOCK 22, GREATER KINGMAN ADDITION, UNIT 1, ACCORDING TO THE PLAT THEREOF, RECORDED JANUARY 30, 1929, IN THE OFFICE OF THE COUNTY RECORDER OF MOHAVE COUNTY, ARIZONA The successor trustee appointed herein qualifies as trustee of the Trust Deed in the trustee's capacity as a licensed in-

Daily News-Sun

10102 Santa Fe Drive Sun City, Arizona 85351
623.977.8351 Fax 623.876.2589

BNA COMMUNICATIONS
P.O. BOX 632940
SAN DIEGO, CA 92163

Affidavit of Publication

I, Janet Gerster, Legal Clerk, am authorized by the publisher as agent to make this affidavit of publication. Under oath, I state that the following is true and correct.

The Daily News-Sun is a newspaper which is published daily, is of general circulation and is in compliance with the Arizona Revised Statutes 10-140.34 & 39-201.A & B. I solemnly swear that the notice as per copy attached, was published in the regular and entire section of the said newspaper and not in any supplement. The below listed advertisement appeared in the following issue (s):

DATES OF PUBLICATION:

1) MAY 22, 2014

2) N/A

3) N/A

4) N/A

Janet Gerster

Legal Clerk

State of Arizona
County of Maricopa
Subscribed and sworn to before me, in my presence, this 22nd day of MAY, 2014

KIM I COLE
Notary Public - Arizona
Maricopa County
My Commission Expires
March 21, 2017

Kim I Cole
Notary Public

Ad caption: HEARING - EPCOR WATER AZ - AD# 17153555 - $621.31
Note: The customer is responsible for filing this document with the appropriate office.

9000

9005
Public Notice

Notice of Trustee's Sale Order No.: 140049196-AZ-API TS No.: AZ-14-3268-JY Loan No: 8500562993 APN: 500-57-327-5 The following legally described trust property will be sold, pursuant to the power of Sale under that certain Deed of Trust dated 9/11/2006 and recorded 9/20/2006 as Instrument 20061246905, Book -, Page -, in the office of the County Recorder of MARICOPA County, Arizona.; and at public auction to the highest bidder: Sale Date and Time: 6/9/2014 at 10:00:00 AM Sale Location: IN THE COURTYARD, BY THE MAIN ENTRANCE OF SUPERIOR COURT BUILDING, 201 WEST JEFFERSON, PHOENIX, ARIZONA Legal Description: LOT 119, LITCHFIELD MOUNTAIN VIEW HOMES, ACCORDING TO BOOK 586 OF MPAS, PAGE 41, RECORDS OF MARICOPA COUNTY, ARIZONA. Purported Street Address: 414 WEST MOUNTAIN VIEW DRIVE, AVONDALE, AZ 85323 Tax Parcel Number: 500-57-327-5 Original Principal Balance: $206,850.00 Name and Address of Current Beneficiary: The Bank of New York Mellon, as Trustee for CIT Mortgage Loan Trust 2007-1 C/O Calibur Home Loans, Inc. [illegible]

9005
Public Notice

[illegible]

9005
Public Notice

[illegible]

WANT A NEW DEAL?
Daily News-Sun offers competitive rates on LEGAL ADVERTISING
Daily News-Sun

Check us out 24/7

PUBLIC NOTICE OF HEARING ON THE RATE APPLICATION OF EPCOR WATER ARIZONA, INC., FOR ITS MOHAVE WATER DISTRICT, PARADISE VALLEY WATER DISTRICT, SUN CITY WATER DISTRICT, TUBAC WATER DISTRICT, AND MOHAVE WASTEWATER DISTRICT, DOCKET NO. WS-01303A-14-0010

Summary
On March 10, 2014, EPCOR Water Arizona, Inc. ("EPCOR" or "Company") filed with the Arizona Corporation Commission ("Commission") an application for a determination of the fair value of its utility plant and property and for increases in its water and wastewater rates and charges for utility service by its Mohave Water District, Paradise Valley Water District, Sun City Water District, Tubac Water District, and Mohave Wastewater District.

For its **Sun City Water District,** EPCOR's application requests an annual revenue increase of approximately $1,646,454, or 16.0 percent, over current revenues. For average usage (7,203 gallons per month) 5/8 x 3/4-inch meter residential customers of the Sun City Water District, EPCOR's request would increase monthly rates by 22.0 percent, or by $3.82. EPCOR is also requesting approval of a System Improvement Benefits ("SIB") surcharge. **If you would like to calculate the bill impact of the Company's proposal based on your consumption, please view its website at epcor.com or contact Customer Service at 1.800.383.0834.**

THE COMMISSION'S UTILITIES DIVISION ("STAFF") HAS NOT YET MADE A RECOMMENDATION REGARDING THE APPLICATION. STAFF'S EVALUATION OF THE APPLICATION MAY RESULT IN A RECOMMENDATION THAT THE COMMISSION APPROVE OR DENY THE COMPANY'S PROPOSALS, OR THAT THE COMPANY'S CURRENT OVERALL RATES BE EITHER DECREASED OR INCREASED. THE COMMISSION IS NOT BOUND BY THE PROPOSALS OF THE COMPANY, STAFF, OR ANY INTERVENORS. THE COMMISSION WILL DETERMINE THE APPROPRIATE RATEMAKING TREATMENT OF THE REVENUES AND EXPENSES RELATED TO EPCOR'S APPLICATION BASED ON THE EVIDENCE PRESENTED IN THIS PROCEEDING.

If you have any questions concerning how the Application may affect your bill or other substantive questions about the Application, you may contact the Company at: **EPCOR Water, Attention: Rate Case Questions, 2355 W. Pinnacle Peak Road, Suite 300, Phoenix, AZ 85027, email RateCaseQuestions@epcor.com, or phone 1.800.383.0834.**

How You Can View or Obtain a Copy of the Application
Copies of the Application are available at the Company's offices 15626 N. Del Webb Boulevard, Sun City, Arizona, on the Company's website at epcor.com and at the Commission's Docket Control Center at 1200 West Washington Street, Phoenix, Arizona, and 400 West Congress Street, Suite 218, Tucson, Arizona, and on the Internet via the Commission website (www.azcc.gov) using the e-Docket function.

Arizona Corporation Commission Public Hearing Information
The Commission will hold a hearing on this matter beginning **December 2, 2014, at 10:00 a.m.,** at the Commission's offices, Hearing Room #1, 1200 West Washington Street, Phoenix, Arizona. Public comments will be taken on the first day of the hearing. Written public comments may be submitted by mailing a letter referencing Docket No. WS-01303A-14-0010 to Arizona Corporation Commission, Consumer Services Section, 1200 West Washington Street, Phoenix, AZ 85007, or by e-mail. For a form to use and instructions on how to e-mail comments to the Commission, go to http://www.azcc.gov/Divisions/Utilities/forms/PublicCommentForm.pdf. If you require assistance, you may contact Consumer Services at 602.542.4251 or outside the metro Phoenix area at 1.800.222.7000.

If you do not intervene in this proceeding, you will receive no further notice of the proceedings in this docket. However, all documents filed in this docket are available online (usually within 24 hours after docketing) at the Commission's website www.azcc.gov using the e-Docket function, located at the bottom of the website homepage. RSS feeds are also available through e-Docket.

About Intervention
The law provides for an open public hearing at which, under appropriate circumstances, interested parties may intervene. Any person or entity entitled by law to intervene and having a direct and substantial interest in the matter will be permitted to intervene.

If you wish to intervene, you must file an original and 13 copies of a written motion to intervene with the Commission no later than **July 1, 2014**, and send a copy of the motion to EPCOR or its counsel and to all parties of record. Your motion to intervene must contain the following:

1. Your name, address, and telephone number, and the name, address, and telephone number of any party upon whom service of documents is to be made, if not yourself;
2. A short statement of your interest in the proceeding (e.g., a customer of EPCOR, a shareholder of EPCOR, etc.); and
3. A statement certifying that you have mailed a copy of the motion to intervene to EPCOR or its counsel and to all parties of record in the case.

The granting of motions to intervene shall be governed by A.A.C. R14-3-105, except that all motions to intervene must be filed on or before July 1, 2014. All parties must comply with Rules 31 and 38 of the Rules of the Arizona Supreme Court and A.R.S. § 40-243 with respect to the practice of law. For information about requesting intervention, go to http://www.azcc.gov/divisions/utilities/FORMS/interven.pdf. The granting of intervention entitles a party to present sworn evidence at hearing and to cross-examine other witnesses. However, failure to intervene will not preclude any interested person or entity from appearing at the hearing and providing public comment on the application or from filing written comments in the record of the case.

ADA/Equal Access Information
The Commission does not discriminate on the basis of disability in admission to its public meetings. Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting the ADA Coordinator, Shaylin Bernal, e-mail sabernal@azcc.gov, voice phone number 602.542.3931. Requests should be made as early as possible to allow time to arrange the accommodation.

Published: Daily News-Sun, May 22, 2014/ 17153555

AFFIDAVIT OF PUBLICATION

ELISA BERMUDEZ

STATE OF ARIZONA)
: SS
COUNTY OF SANTA CRUZ)

being first

Duly sworn, deposes and says: That (he) (she) is the Agent to the Publisher of the NOGALES INTERNATIONAL newspaper printed and published two days week in the City of Nogales, County of Santa Cruz, State of Arizona. That the notice, a copy of which is hereto attached, described as follows:

PUBLIC NOTICE OF
HEARING ON THE RATE
APPLICATION OF
EPCOR WATER

was printed and published in the regular and entire issue of said

NOGALES INTERNATIONAL for 1 issues, that the first was

made on the 23rd day of MAY 20 14

and the last publication thereof was made on the 23rd day of

MAY 20 14 that said publication

was made on each of the following dates, to wit:

05/23/14

Request of BNA COMMUNICATIONS

NOGALES INTERNATIONAL

268 W VIEW POINT, NOGALES, AZ 85621 (520)375-5760

By

Subscribed sworn to before me this 23rd day of MAY

20 14

Manuel C. Coppola
Notary Public
Santa Cruz County, Arizona
My Comm. Expires 02-26-15

Notary Public in and for the County of Santa Cruz, State of Arizona

My Commission Expires: 2/26/15

PUBLIC NOTICE OF HEARING ON THE RATE APPLICATION OF EPCOR WATER ARIZONA, INC., FOR ITS MOHAVE WATER DISTRICT, PARADISE VALLEY WATER DISTRICT, SUN CITY WATER DISTRICT, TUBAC WATER DISTRICT, AND MOHAVE WASTEWATER DISTRICT, DOCKET NO. WS-01303A-14-0010

Summary

On March 10, 2014, EPCOR Water Arizona, Inc. ("EPCOR" or "Company") filed with the Arizona Corporation Commission ("Commission") an application for a determination of the fair value of its utility plant and property and for increases in its water and wastewater rates and charges for utility service by its Mohave Water District, Paradise Valley Water District, Sun City Water District, Tubac Water District, and Mohave Wastewater District.

For its **Tubac Water District**, EPCOR's application requests an annual revenue increase of approximately $410,000, or 70.8 percent, over current revenues. For average usage (8,348 gallons per month) 5/8 x 3/4-inch meter residential customers of the Tubac Water District, EPCOR's request would increase monthly rates by 89.95 percent, or by $48.19. **If you would like to calculate the bill impact of the Company's proposal based on your consumption, please view its website at epcor.com or contact Customer Service at 1.800.383.0834.**

THE COMMISSION'S UTILITIES DIVISION ("STAFF") HAS NOT YET MADE A RECOMMENDATION REGARDING THE APPLICATION. STAFF'S EVALUATION OF THE APPLICATION MAY RESULT IN A RECOMMENDATION THAT THE COMMISSION APPROVE OR DENY THE COMPANY'S PROPOSALS, OR THAT THE COMPANY'S CURRENT OVERALL RATES BE EITHER DECREASED OR INCREASED. THE COMMISSION IS NOT BOUND BY THE PROPOSALS OF THE COMPANY, STAFF, OR ANY INTERVENORS. THE COMMISSION WILL DETERMINE THE APPROPRIATE RATEMAKING TREATMENT OF THE REVENUES AND EXPENSES RELATED TO EPCOR'S APPLICATION BASED ON THE EVIDENCE PRESENTED IN THIS PROCEEDING.

If you have any questions concerning how the Application may affect your bill or other substantive questions about the Application, you may contact the Company at: **EPCOR Water, Attention: Rate Case Questions, 2355 W. Pinnacle Peak Road, Suite 300, Phoenix, AZ 85027, email RateCaseQuestions@epcor.com, or phone 1.800.383.0834.**

How You Can View or Obtain a Copy of the Application

Copies of the Application are available at the Company's offices 15 Burruel Street, Tubac, Arizona, on the Company's website at epcor.com and at the Commission's Docket Control Center at 1200 West Washington Street, Phoenix, Arizona, and 400 West Congress Street, Suite 218, Tucson, Arizona, and on the internet via the Commission website (/www.azcc.gov/) using the e-Docket function.

Arizona Corporation Commission Public Hearing Information

The Commission will hold a hearing on this matter beginning **December 2, 2014, at 10:00 a.m.**, at the Commission's offices, Hearing Room #1, 1200 West Washington Street, Phoenix, Arizona. Public comments will be taken on the first day of the hearing. Written public comments may be submitted by mailing a letter referencing Docket No. WS-01303A-14-0010 to Arizona Corporation Commission, Consumer Services Section, 1200 West Washington Street, Phoenix, AZ 85007, or by e-mail. For a form to use and instructions on how to e-mail comments to the Commission, go to http://www.azcc.gov/Divisions/Utilities/forms/PublicCommentForm.pdf. If you require assistance, you may contact Consumer Services at 602.542.4251 or outside the metro Phoenix area at 1.800.222.7000.

If you do not intervene in this proceeding, you will receive no further notice of the proceedings in this docket. However, all documents filed in this docket are available online (usually within 24 hours after docketing) at the Commission's website www.azcc.gov using the e-Docket function, located at the bottom of the website homepage. RSS feeds are also available through e-Docket.

About Intervention

The law provides for an open public hearing at which, under appropriate circumstances, interested parties may intervene. Any person or entity entitled by law to intervene and having a direct and substantial interest in the matter will be permitted to intervene.

If you wish to intervene, you must file an original and 13 copies of a written motion to intervene with the Commission no later than **July 1, 2014**, and send a copy of the motion to EPCOR or its counsel and to all parties of record. Your motion to intervene must contain the following:

1. Your name, address, and telephone number, and the name, address, and telephone number of any party upon whom service of documents is to be made, if not yourself;
2. A short statement of your interest in the proceeding (e.g., a customer of EPCOR, a shareholder of EPCOR, etc.); and
3. A statement certifying that you have mailed a copy of the motion to intervene to EPCOR or its counsel and to all parties of record in the case.

The granting of motions to intervene shall be governed by A.A.C. R14-3-105, except that all motions to intervene must be filed on or before July 1, 2014. All parties must comply with Rules 31 and 38 of the Rules of the Arizona Supreme Court and A.R.S. § 40-243 with respect to the practice of law. For information about requesting intervention, go to http://www.azcc.gov/divisions/utilities/FORMS/intervrn.pdf. The granting of intervention entitles a party to present sworn evidence at hearing and to cross-examine other witnesses. <u>However, failure to intervene will not preclude any interested person or entity from appearing at the hearing and providing public comment on the application or from filing written comments in the record of the case.</u>

ADA/Equal Access Information

The Commission does not discriminate on the basis of disability in admission to its public meetings. Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting the ADA Coordinator, Shaylin Bernal, e-mail sabernal@azcc.gov, voice phone number 602.542.3931. Requests should be made as early as possible to allow time to arrange the accommodation.

AFFIDAVIT OF PUBLICATION

THE ARIZONA REPUBLIC

STATE OF ARIZONA
COUNTY OF MARICOPA } SS.

Tabitha Weaver, being first duly sworn, upon oath deposes and says: That she is a Sr. legal advertising representative of the Arizona Business Gazette, a newspaper of general circulation in the county of Maricopa, State of Arizona, published at Phoenix, Arizona, by Phoenix Newspapers Inc., which also publishes The Arizona Republic, and that the copy hereto attached is a true copy of the advertisement published in the said paper on the dates as indicated.

The Arizona Republic
Zones 7, 8, 9

May 28, 2014

Sworn to before me this
28th day of
May A.D. 2014

MANUEL VARGAS
Notary Public - State of Arizona
MARICOPA COUNTY
My Commission Expires
November 30, 2015

Notary Public

PUBLIC NOTICE OF HEARING ON THE RATE APPLICATION OF EPCOR WATER ARIZONA, INC., FOR ITS MOHAVE WATER DISTRICT, PARADISE VALLEY WATER DISTRICT, SUN CITY WATER DISTRICT, TUBAC WATER DISTRICT, AND MOHAVE WASTEWATER DISTRICT. DOCKET NO. WS-01303A-14-0010

Summary

On March 10, 2014, EPCOR Water Arizona, Inc. ("EPCOR" or "Company") filed with the Arizona Corporation Commission ("Commission") an application for a determination of the fair value of its utility plant and property and for increases in its water and wastewater rates and charges for utility service by its Mohave Water District, Paradise Valley Water District, Sun City Water District, Tubac Water District, and Mohave Wastewater District.

For its **Paradise Valley Water District**, EPCOR's application requests an annual revenue increase of approximately $950,774, or 9.9 percent, over current revenues. For average consumption (19,271 gallons per month) 5/8 x 3/4-inch meter residential customers of the Paradise Valley Water District, EPCOR's request would increase *monthly rates by 9.68 percent, or by $5.06*. **If you would like to calculate the bill impact of the Company's proposal based on your consumption, please view its website at epcor.com or contact Customer Service at 1.800.383.0834.**

THE COMMISSION'S UTILITIES DIVISION ("STAFF") HAS NOT YET MADE A RECOMMENDATION REGARDING THE APPLICATION. STAFF'S EVALUATION OF THE APPLICATION MAY RESULT IN A RECOMMENDATION THAT THE COMMISSION APPROVE OR DENY THE COMPANY'S PROPOSALS, OR THAT THE COMPANY'S CURRENT OVERALL RATES BE EITHER DECREASED OR INCREASED. THE COMMISSION IS NOT BOUND BY THE PROPOSALS OF THE COMPANY, STAFF, OR ANY INTERVENORS. THE COMMISSION WILL DETERMINE THE APPROPRIATE RATEMAKING TREATMENT OF THE REVENUES AND EXPENSES RELATED TO EPCOR'S APPLICATION BASED ON THE EVIDENCE PRESENTED IN THIS PROCEEDING.

If you have any questions concerning how the Application may affect your bill or other substantive questions about the Application, you may contact the Company at: **EPCOR Water, Attention: Rate Case Questions, 2355 W. Pinnacle Peak Road, Suite 300, Phoenix, AZ 85027, email RateCaseQuestions@epcor.com, or phone 1.800.383.0834.**

How You Can View or Obtain a Copy of the Application

Copies of the Application are available at the Company's offices at 6215 N. Cattle Track Road, Scottsdale, Arizona, on the Company's website at epcor.com and at the Commission's Docket Control Center at 1200 West Washington Street, Phoenix, Arizona, and 400 West Congress Street, Suite 218, Tucson, Arizona, and on the internet via the Commission website (/www.azcc.gov/) using the e-Docket function.

Arizona Corporation Commission Public Hearing Information

The Commission will hold a hearing on this matter beginning **December 2, 2014, at 10:00 a.m.**, at the Commission's offices, Hearing Room #1, 1200 West Washington Street, Phoenix, Arizona. Public comments will be taken on the first day of the hearing. Written public comments may be submitted by mailing a letter referencing Docket No. WS-01303A-14-0010 to Arizona Corporation Commission, Consumer Services Section, 1200 West Washington Street, Phoenix, AZ 85007, or by e-mail. For a form to use and instructions on how to e-mail comments to the Commission, go to http://www.azcc.gov/Divisions/Utilities/forms/PublicCommentForm.pdf. If you require assistance, you may contact Consumer Services at 602.542.4251 or outside the metro Phoenix area at 1.800.222.7000.

***If you do not intervene in this proceeding*, you will receive no further notice of the proceedings in this docket. However, all documents filed in this docket are available online** (usually within 24 hours after docketing) at the Commission's website www.azcc.gov using the e-Docket function, located at the bottom of the website homepage. RSS feeds are also available through e-Docket.

About Intervention

The law provides for an open public hearing at which, under appropriate circumstances, interested parties may intervene. Any person or entity entitled by law to intervene and having a direct and substantial interest in the matter will be permitted to intervene.

If you wish to intervene, you must file an original and 13 copies of a written motion to intervene with the Commission no later than **July 1, 2014**, and send a copy of the motion to EPCOR or its counsel and to all parties of record. Your motion to intervene must contain the following:

1. *Your name, address, and telephone number, and the name, address, and telephone* number of any party upon whom service of documents is to be made, if not yourself;
2. A short statement of your interest in the proceeding (e.g., a customer of EPCOR, a shareholder of EPCOR, etc.); and
3. A statement certifying that you have mailed a copy of the motion to intervene to EPCOR or its counsel and to all parties of record in the case.

The granting of motions to intervene shall be governed by A.A.C. R14-3-105, except that all motions to intervene must be filed on or before **July 1, 2014**. All parties must comply with Rules 31 and 38 of the Rules of the Arizona Supreme Court and A.R.S. § 40-243 with respect to the practice of law. For information about requesting intervention, go to http://www.azcc.gov/divisions/utilities/FORMS/interven.pdf. The granting of intervention entitles a party to present sworn evidence at hearing and to cross-examine other witnesses. However, failure to intervene will not preclude any interested person or entity from appearing at the hearing and providing public comment on the application or from filing written comments in the record of the case.

ADA/Equal Access Information

The Commission does not discriminate on the basis of disability in admission to its public meetings. Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting the ADA Coordinator, Shaylin Bernal, e-mail sabernal@azcc.gov, voice phone number 602.542.3931. Requests should be made as early as possible to allow time to arrange the accommodation.

Water Services

Municipal Water and Wastewater City of Edmonton

Water Treatment & Distribution

- Two large water treatment plants on the North Saskatchewan river – 680 million liters/day.
- Approximately 250,000 fully metered, City water customers.
- Rates regulated by City under a PBR covering April 2012 – March 2017.
- Water also sold to 61 surrounding communities under wholesale rates regulated by the Alberta Utilities Commission.

Wastewater Treatment

- Enhanced primary treatment – 1,200 million liters/day.
- Rates regulated by City under PBR covering April 2012 – March 2017.
- Inaugural inclusion of wastewater services under PBR.

Municipal Water and Wastewater Alberta/British Columbia/USA

Alberta

- Operating contracts in Banff, Canmore, Chestermere, Okotoks, Red Deer County, Taber.
- Expansion and upgrade of Evan-Thomas water and wastewater facility in Kananaskis Village.

British Columbia

- Regulated water utilities in White Rock and French Creek.
- Operating contracts in Sooke, Whistler Olympic Park.

Arizona and New Mexico

- Regulated water utilities – Chaparral City Water Company, EPCOR Water Arizona, EPCOR Water New Mexico.
- Provide water and wastewater services to approximately 195,000 customer connections, across 22 communities.