



March 9, 2015

File No. 0220-20

Transmitted by Email: dmanning@epcor.com

Darrell Manning
Director, Regulatory and Shared Services
EPCOR Water Canada
2000-10423 101 Street NW
Edmonton, Alberta
T5H 0E8

Dear Darrell:

Re: EPCOR White Rock Water Utility (the "utility")
Our File No.: 10175-102

Thank you for your letter dated February 11, 2015. The City has completed due diligence with respect to the proposals set out in your letter.

Please be advised that the City is not prepared at this time to enter into a process agreement as set out in your February 11 letter. Instead, the City would like to proceed as follows:

1. There is no need for the cost and delay associated with additional appraisals, or formal addenda to the existing appraisal reports. Instead, we can proceed on the basis of jointly instructing the two appraisers to ascertain the differences and distinctions inherent in their reports, with a view to the appraisers preparing a joint report on the reasons for the differences and recommendations for closing the gap. Among other matters, the discount rate is a critical criterion and we have completed what we believe to be constructive research in regard to this factor which we can share with you and the appraisers during this process. We suggest that the appraisers be given 30 days to carry this out.

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2. The City and EPCOR can then enter into discussions respecting City acquisition on a without prejudice basis further to the confidentiality agreement entered into by the parties on October 15, 2013.
3. If the parties cannot agree on a price within two months from the date of the joint appraisal report, the City will proceed to arbitration, or possibly consider other remedies available to the City. The City is satisfied from a legal perspective that it has the options of proceeding by way of arbitration or the other remedies.
4. Please be advised that if the parties can come to a final agreement respecting City acquisition within this reasonable period of time, the City would like to be in a position to consider the possibility of an EPCOR management agreement for up to five years.

Darrell, we look forward to a timely and constructive resolution of this matter. Kindly advise as to times you and your solicitor are available for a conference call or meeting with us (including our solicitor) during the next week to firm up the terms of reference and the instructions to the appraisers.

Yours truly,

A handwritten signature in black ink, appearing to read 'Dan Bottrill', written in a cursive style.

Dan Bottrill
Chief Administrative Officer

cc: Mr. Don Lidstone