

Capital Power Corporation - 2009 Investor Day
Thursday December 3rd 2009 (9:00 am EST)

CORPORATE PARTICIPANTS

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Senior Vice President, Commercial Services

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Senior President, Operations

Stuart Lee

Senior Vice President and CFO

Darcy Trufyn

Senior Vice President, Engineering, Construction and Project Management

PRESENTATION

Randy Mah, Senior Manager, Investor Relations

Ok. Good morning. Welcome to Capital Power's first annual Investor Day. My name is Randy Mah and I'm the Senior Manager of Investor Relations. We appreciate you taking the time to join us today and we hope that you find the event a valuable use of your time. I would also like to extend a warm welcome to our audience that are listening in on the webcast. Today's presentation is posted on our website at www.capitalpower.com and the transcript of this event will be posted on the website once they are finalized.

Next slide please. Before we begin I would like to refer you to the cautionary statement regarding forward looking information on slide #2. Certain information in this presentation and in oral answers to questions contains forward looking information. Actual results could differ materially from conclusions, forecasts, or projections in the forward looking information. 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 are disclosed on pages 67 to 68 of this presentation and in our disclosure documents filed with securities regulators on sedar.com. With that out of the way, I'll turn it over to

Brian Vaasjo, President and CEO to introduce the Senior Management Team.

Brian Vaasjo, President and CEO

Good morning and welcome. Good morning. Welcome to Capital Power's first Investor Day. Welcome to a rainy Toronto. Us from the West are starting to suffer with the cold so, this is a little bit of a reprieve. As the slide indicates, I'm Brian Vaasjo, President and Chief Executive Officer of Capital Power. I joined EPCOR about 11 years ago and I've been involved with this group of assets since then. I joined as Executive Vice-President and Chief Financial Officer and have a number of different positions over those 11 years including my last position which was Executive Vice-President and Chief Operating Officer. Prior to joining Capital Power I was with the Enbridge group of companies for approximately 20 years in various planning, finance and development roles. I'm an accountant by trade, I've got a Masters degree in business administration as well as a fellow of the Society of Management Accountants.

Jim Oosterbaan, SVP, Commercial Services

Good morning, I'm Jim Oosterbaan, Senior Vice President, Commercial Services with Capital Power. I've been with Capital Power and EPCOR for 8 years, coming up through the commodity side of the business end, working with large industrial customers and on the business development side. Prior to that I spent 15 years with the west coast group of companies and before that, spent some time doing consulting. I have an MBA from the Ivey School of Business, have spent some time, taking a management development course at Stanford and did undergrad degree at Laurier. Good morning.

Graham Brown, Senior President, Operations

Good morning. I'm Graham Brown, I'm Senior Vice President, Operations. I've been in operations for over 34 years. I've covered gas turbines, nuclear plants, solid fossil fuel plants, wind, renewables pretty much the gambit. I came to EPCOR in 2005 at the time when we purchased the TransCanada LP, and I've been based in the U.S. in Chicago since 2006. I'm very pleased to be here as Senior Vice-President Operations now with Capital Power and we'll be soon moving to the sunny and warm climate of Edmonton. Good Morning

Stuart Lee, Senior Vice President and CFO

I'm Stuart Lee, Senior Vice-President and CFO. I've been with Capital Power and EPCOR now for 6 years; I'm a chartered accountant with 22 years of financial experience. I've been CFO for what was EPCOR Power LP now, Capital Power Income LP, for the last four and a half years and prior to joining EPCOR I was with Celanese as Vice-President and Controller for 5 years.

Darcy Trufyn, Senior Vice President, Engineering, Construction and Project Management

Good morning. I'm Darcy Trufyn, I'm Senior VP, engineering, construction and project management. I'm new to the Capital Power team. Just recruited about, I think, 6 weeks ago. My background, I've been in engineering and construction, the industry for over 30 years the last dozen or so in executive positions. Most recently I was Senior VP with a company called WorleyParsons, looking after construction across Canada and actually had a position as Director of Construction for the Global Group of about 32,000 employees. My areas of specialty earlier are in Total Project Delivery and, whether that's EPC or EPCM, but I lead an initiative within my last company as to drive the Total Project Delivery to better efficiencies. Other part of my background is on major and mega projects. I also had the opportunity to work with the EPCOR companies to do a number of EPCs and in the years leading up to, I think 2005. Successful jobs, I got a chance to work with people like Jim Oosterbaan, so I was very comfortable joining the EPCOR team, I'm excited. I think we have some great opportunities, I'm looking forward to helping out. Thank you.

Brian Vaasjo, President and CEO

Thank you. And we're also joined this morning by another member of our executive team, Ken Cory. Next slide, please.

Randy Mah, Senior Manager, Investor Relations

Ok, in terms of today's agenda for this morning. Brian will start us with an overview of Capital Power and discuss the strategy. Jim will cover the commercial position, development and acquisition opportunities and carbon management. Graham will highlight the operating performance and discuss the maintenance programs. And at approximately 10:30, we'll have a short break. After the break, Darcy will provide an update on the construction projects and then Stuart will provide a financial review and outlook. And finally, Brian will conclude with the 2010 corporate priorities and a summary. And as we're covering a fair amount of information throughout these presentations, we will hold the Q&A session until the end to cover any items that weren't addressed in the presentations. Finally, we hope that you can join the Senior Management team for the buffet lunch afterwards. And, before we begin with the presentations, I'd like to point out that there's an evaluation form in the binders. It'd be greatly appreciated if you could fill that out as your input will help us plan future events. Ok, now over to Brian.

Brian Vaasjo, President and CEO

Thank you very much Randy. If we could go to the next slide. I'd like to start with an overview of Capital Power. As you all know Capital Power is a new company basically established in July of this year. It's a spin-off of all of EPCOR Utilities power generation business which actually has a history dating back well over a hundred years. It is now a fully independent power producer, spanning much of North America. Its dominant feature is a strong base of contracted cash flows supporting the dividend and with an almost equal exposure to the Alberta power market, which we believe is the best power market in North America. As you'll hear from Jim later, growth will come through a disciplined approach through acquisitions and development.

Our vision is to be one of North America's most respective, reliable and competitive power generation companies, and note the very strong emphasis on quality. Our goal is to triple the size to 10,000 megawatts by 2020 on a progressively accretive basis. In regards to corporate strategy, our strategy is to achieve this growth through a financial discipline which always makes sure our results will sustain our dividend commitment. Our growth will continue to balance cash flow certainty of long-term power purchase arrangements with the upside of merchant exposure. This model will support stable dividends and provide continuous access to capital. That access to capital in turn will enable meeting our growth objectives. Our overall approach to growth is supported by our proven expertise and access to a very strong deal flow.

A significant element of our discipline is targeting specific markets, which I'll comment on in a few moments. Moving to our corporate strengths, we have interests in 31 power generation facilities totalling 34,000 megawatts of capacity today. This fleet enjoys extensive diversification by fuel type, by counterparty and by geography. We have an extremely modern fleet, with average age of only 12 years, which means there's literally decades of cash flow remaining in our assets and this certainly differentiates us from our peers. We enjoy very high availability at about 95%. We have a commitment to an investment grade credit rating, which means a strong balance sheet and continuous access to capital. Our long term contracts have an average remaining life of 11 years, which give rise to predictability of our cash flows. In 2010, this predictability is even further enhanced by the fact that over 90% of our merchant position has already been sold forward.

As Jim will describe later, we have a number of development opportunities in the hopper. Our ability to execute on these opportunities is supported by a proven track record. I'd like now to turn to, this graphic, which broadly describes our fleet by its commercial nature and

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geography. Starting on your left are the two contracted Alberta facilities which are Genesee 1 and Genesee 2, totalling 820 megawatts, contracted out to 2020. In the next box is our Alberta commercial facilities, which consist of 6 generation facilities with a net to us of 595 megawatts. The largest one in there is Genesee 3. Next of that two power purchase arrangements, Sundance 5 and 6, and Battle River. And as you know, the Battle River PPA will be completely sold to Enmax at the beginning of next year. Next to that the Ontario and BC contracted facilities; three facilities totalling 80 megawatts, one wind farm, two run of the rivers, both fully contracted to the respective government agencies. And lastly, our 30.6% in Capital Power Income LP. Within that LP, there are 20 facilities all fully contracted for a net megawatt to us of 472.

If we move to the next slide. As I said earlier, we do have a very modern fleet with a high availability. Graham will go through our availability statistics in a moment with you. But you can generally expect something in the order of 94-95%. In addition to being very reliable, our fleet is very young. Before adding the two Clover Bar units for this year, and Keephills in 2011, the average age of our fleet, as I had said earlier, is only 12 years. This is particularly young when you consider that it is heavily weighted towards our coal facilities, which generally have a 40+ year life. This leaves decades of cash flow, again, left in our facilities. Generally, peers in North America with coal interest would have ages well over 20 years. And it is also a modern fleet, deploying the latest in natural gas peaking technology, with the GE LMS100, which our Clover Bar units 2 & 3 and Supercritical coal technology, at Genesee 3 and Keephills 3. Looking at our financial strength and access to capital. A major strategic driver behind Capital Power is maintaining its financial strength and investment grade credit rating. We have a strong balance sheet, which gives rise to our triple B credit rating. We have bank facilities in place which give us access to 1.2 billion dollars, which provides us tremendous financing and transactional flexibility.

Our assets on a consolidated basis are almost 5 billion dollars with debt of \$1.5 billion. While on a non-consolidated basis, \$1 billion dollars of debt supports \$3.5 billion in assets. This results in a debt to capitalization ratio of 35% which is well below levels required to support our credit rating. In addition to supporting the dividend, the strong balance sheet results in a continuous access to competitive capital, again, to support our growth. This commitment to a strong balance sheet is somewhat unique among independent power producers. This map positions our platform for growth. The circles represent areas where we will pursue our network hub strategy for both merchant and contracted facilities. Alberta and California circles are already enjoying the benefits of that

strategy. To the East are the two markets we are pursuing. The U.S. Northeast and Mid-Atlantic regions. We have chosen to focus on these four markets based on in-depth work covering multiple criteria including size, liquidity, growth, competition and the nature of the opportunities. The green areas that are not within the circles represent our existing footprint where we will also pursue contracted facility opportunities.

On the next slide, this selected geographic platform which I just described, we'll be using to pursue both acquisition and development opportunities. We have a number of development opportunities at various stages, which Jim will discuss in a moment. Most of the more promising development projects today are fully contracted. The development opportunities are in addition to the two projects, totalling 448 megawatts to us, that are currently under construction. On the acquisition side, we continue to pursue a number of opportunities particularly large natural gas. And we are utilizing a very disciplined approach, which Jim will also discuss more fully in a moment. We also are looking at opportunities to enhance our existing facilities on both a physical and a commercial basis. We have 1000 megawatts of a merchant position, which we can further optimize and find additional value. Although a decade may be a while away when the Genesee power purchasing agreements fall off in 2020, we see some tremendous upside associated with those moving into merchant service. And at that time, we expect a very dramatic increase in our revenue associated with those facilities.

Moving to the next slide, I'd like to take this opportunity to confirm our strategic and financial importance that we attribute to Capital Power Income L.P. The L.P. provides significant contracted cash flows and risk diversity to Capital Power. It is an important part of our technical and geographic footprint. There are zones of common interest or conflict, but the fact that the Capital Power will always have the opportunity to invest 30% in Capital Power Income L.P., significantly mitigates those issues. The recent modified corporate and business governance also drives us towards alignment and away from conflict. Lastly, having two investor bases with different risk appetites, by its nature, eliminates many of the conflicts as well.

Looking at the 2009 highlights, certainly launching the IPO last July was the highlight of the year. Being the very first significant IPO in over 18 months did have its challenges. With almost 6 months under our belt, we have completed all of the transitional activities but a few, which will be completed early in 2010. Our operating and financial performance is in line with our expectations despite the depressed Alberta power prices we've been experiencing. Although we could not come to a successful conclusion with the Federal and Alberta

government on our IGCC project, we are maintaining our leadership role through our partnership in one of the largest carbon capture and storage projects in the world at Keephills 3. Completion of Clover Bar 2 and 3 in 2009 earlier than forecast and at a cost lower than forecast is an excellent way for us to finish the year. Lastly, some of the projects that we've had under development are moving forward in the RFP processes in both British Columbia and Ontario. This, and all the other good work done in 2009, is positioning us very well for the future.

Jim Oosterbaan, SVP, Commercial Services

Good morning. So, I'm going to start by just talking a little bit about the Alberta electricity market. As you can, I think you can see the charts certainly our view is that over the next couple of years there certainly is going to be some upward pressure on prices in this market. We're starting to see, already over the last 8 weeks, some rebound in demand on a, weather-normalized basis, from what we've seen over the last couple of years. As well as to see our own projections in on the left chart, we're expecting that we're going to see about, 3-4% demand growth in the Alberta electricity market over the next 3 years. A lot of it coming from the industrial sector.

One thing to note particularly is when the Scottford Refinery comes into service, with the associated mine facilities in 2011, there really isn't any associated co-generation with that development, which is something that you would have seen in the past with other large industrial developments related to the oil sands in the province. As well you've seen, you're going to see the retirement of Wellman 4 later this year as well as the retirement of Rainbow units 1 to 3 which takes about 400 megawatts of current capacity out of the Alberta grid. Both of these will continue to put some upward pressure on prices going forward. With respect to the reserve margins as well, which we think is a good indicator of supply and demand conditions going forward. As you can see we expect that will continue to fall over the next couple of years. Albeit, of course, the scale is it's not... it's only falling a couple of points, but still, another factor to consider as you look at the Alberta marketplace.

Just going on to the next slide please. As you all are aware, I think current forward prices do reflect current market weaknesses in the province. Prices in the range of 50-55 dollars a megawatt going out to 2012. One thing I would call to your attention though, the associated heat rates for that are sort of in the 8-9 range, which is running generally below the historical average that you would see in the Alberta marketplace. You'll notice on the chart on the right hand side, they traditionally range somewhere between 10-13 over the last 3-4 years. There's nothing that suggests that that kind of performance is not going to continue going forward.

As indicated earlier, from our perspective, long-term supply and demand fundamentals in the Alberta marketplace do remain positive. With respect to, as well another factor to consider, as you look at the Alberta marketplace, is that the new supply is going to be required over the next few years. And then, the prices that are going to be required, having been an active constructor in this market over the last number of years, is prices certainly in the 80-100 dollar per megawatt range on a sustain basis. In other words, you're going to have to see that kind of price expectation going forward to be able to justify building... building new supply capacity in the province and that's really focusing on natural gas base facilities. That's also assuming some reduction in construction cost in the province. I think which we've seen somewhat over the last the last couple of... probably the last couple of quarters.

Presently natural gas prices are in a trough, I think that's, it's a pretty open debate as to how high they will go or not but, certainly this is a commodity as we all know. And, likely... likely not to go much further lower, but with some potential and go perhaps a little bit higher. If you look at the chart, you'll see a range of a couple of projections. With respect of a... this is really a low case, which is represented by the current forward curves that you see in the Alberta marketplace, as I indicated earlier. Prices in the range of 50-55 dollars per megawatt. I think as well, as you know, in the Alberta marketplace there's not a lot of liquidity out past the prompt year. So as you go in the 2011 and 2012, not a lot of transactions occurring. And then of course, well this, the high cases, forecast is just something produced by a company called EDC, which is a based, Alberta based company that has a lot of knowledge with respect to Alberta supply-demand variables. That gives you a sense of the range that we're looking at. And then, of course, just on, on the implied heat rates are again within the range of what we've seen historically with respect to the Alberta marketplace.

Next slide please. As Brian mentioned in his comments, we're well positioned to deal with the uncertainty that you see with respect to 2010. We're almost, more than 90% hedged with respect to our merchant position. Average prices in the range of 65 dollars compared to current, forward prices that you see of 45-50 and then forecast prices in the 60 to 65 dollar range. And then just moving out to 2011, again, we're about 50% hedged and you can see the prices on the chart about 70 dollars per megawatt. And then moving out to 2012, 15-20% hedged in prices in the range of 75 to 80 dollars. And what happens over time though, because of the nature of our commodity risk management structure that we have is that we do get pushed being less and less open as we move closer to the prompt year. So, what you will see

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over time is nothing else by then, by the virtue of our own internal-risk management policies, is that open position starts to diminish. Because again, because of the risk profile that we do have with respect to their merchant assets, that number will start to track closer to the 70 to 75% number as it moves through times of the prompt year or so.

In 2005, we made a decision with respect to our portfolio and that was to sell the Battle River assets, over a 5 year basis. Partially the fund the construction, of Keephills 3, but also to re-position our portfolio as a... What it also allowed us to do was to construct our Clover Bar peaking facility. Now that really is a 3 unit facility; one LM6000, two LMS100s. Again, the LMS100 is the most efficient... generation site in their class; 0-100 megawatts in less than 10 minutes. Actually that's sort of being proven by our performance with our Clover Bar unit 2, which is the first LMS100 in our fleet. In the end, what we have now is essentially having been able to move up the merit-curve with respect to dispatch-ability. So now we do have the ability now to manage... physically manage our exposures as opposed to being reliant, in the past, on finance... having to be reliant in the past on financial markets, so, I guess that's a lot of comfort with respect to being able to give us more flexibility, as far as managing our portfolio going forward.

As Brian mentioned as well, the last tranche of the Battle River sale will close on January 2010. And then at that point, as well, we have sort of really have upgraded our fleet... exchanged in fact, really a 45 year old asset for a 1 year old asset, when Keephills 3 comes into service in 2011. Now what's also we've seen is a growing liquidity in the Alberta marketplace, a number of players have re-entered the trading business, in the province as well as a couple of new entrants as well. Again, this is similar to the cycle that we saw in 2004, in 2005, after the first rationalization we had in the trading business, I think. And the sorry... the importance are there with respect to increasing liquidity in the Alberta marketplace.

Next slide please. As well as part of the transition from EPCOR to Capital Power, we move from a larger entity to a smaller entity from the point of view of asset base and diversity of earnings. With that, prompted us to take a look at our commodity risk management policies.

As a result of that, we ended up changing our limit structures and really have the limits recalculated and the purpose, again, is to better reflect the nature of the new Capital Power to compare to what we had with the, with the larger EPCOR. And what this has intended to do is really, is to focus on net available cash flow. In other words, cash flow that is available after payment of interest, payment of dividends and maintenance capital

expenditures. The essence of that is, in other words the amount of risk that we were prepared to take is really reflection of the excess cash that we would have available to fund that.

So, what we ended up doing very recently is we've... our board has approved this new limit structure as well as this new approach to risk management and it's still a VaR based approach but what we've done is we've moved out to a 99% confidence interval from what we had before, which was essentially about 97%. The net effect of this is really to reduce the amount of length that we're really, looking to hold in the prompt year by almost 50% from what we had as far as current levels. We've had a chance to review this methodology with an independent third party and they were satisfied with it. Again, it doesn't really change the detail of oversight that we have with our, within our current risk management policies. There is a quarterly review by our board of directors and certainly the executive management team looks at this on a monthly basis, though, so.

Next slide please. Just want to talk now a little bit about what we have been doing on the environmental side. You may be aware of, of course, that Alberta is the only jurisdiction right now in North America that does charge large final emitters, a tax for emitting carbon. That's been in place for 3 years. Its 15 dollars per tonne emitted, so there's bottom line impacts as a result of that. We established about 5 years ago, a team in Calgary started managing that exposure. And there with our objectives raised and to have cost effective compliance mechanisms, but also to be able to play a role influencing the development of policy in Canada. And we do pursue renewable development, but only when it makes financial sense to do so. Most of the wind development in this country does not regenerate offsets. It's because they're usually held by the province as part of the PPAs that they have in place, whether it's in British Columbia, or in Ontario. We intend to meet the carbon challenge by implementing... by investing and implementing in technology. I think not, not talking about it. And there are just a few examples of what we've done, over the last number of years to certainly try and deal with the issue: constructing the Supercritical plan, with our partner TransAlta, again, those have 25% lower greenhouse gas emissions. Lower NOx and SOx emissions, lower emissions of particulate matter from a significant step forward from what we've had in the past. The LMS100 units that I mentioned before are certainly, they have the most, they're most efficient in their class, but also have a lower NOx footprint, lower water requirements, lower noise emissions as well though; Again to comply with current and planned legislation. You may be aware that Alberta has one of the most stringent mercury standards in North America and that the industry is moving to those

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standards in 2010. The technology has been implemented at all the major sites in Alberta as far as mercury removal, now that will remove the mercury that's being produced by almost 80% from current levels again, in compliance with that legislation. As Brian's already mentioned, we've been in well, with carbon captures or IGCC or Amine Scrubbing for almost the last 5 years. And certainly we'll continue to do that. I think the real headline that I wanted to leave with you is that we are comfortable managing carbon exposure. That's something that we've had to operationalize over the last three years in the province where we have the bulk of our coal assets. And certainly are active in the North American markets.

Next slide please. Now as part of that, we've had to work with the provincial government that actually put in place all the belts and suspenders that are associated with carbon, putting a carbon market into place. So, as you look into, into place. So as you look into what's going on in the U.S., even though the legislation may or may not pass in the future, there is still a tremendous amount of work that has to occur with respect to things like carbon registries, air emission protocols, all of those things take time. So, it would take another, even if the Bill were to pass tomorrow, another 12 to 24 months just to put in place the regulations and then the, some of the, say, some of the infrastructure necessary to give rise to a carbon market.

Now we have, do have exposures in Alberta as result of the existing tax that's in place, with respect to G1 and G2. Our contracted facilities, they emit about 6 million tonnes per year. We were able to pass through the cost of those to, to the PPA holder, which in this case is the Balancing Pool, an arm of the province of Alberta. With respect to the commercial facilities that we do have, the Genesee 3, that, that has essentially a grand-fathering process where there's a, going to be a step up of its compliance requirements over the next number of year. Again, that was part of our licence requirements that we have with the province. We do have some partial ability to recover those higher carbon costs through higher dispatch cost. You'll note when this tax did come into effect in the province, dispatch prices from Napoleon did rise in proportion to the impact of that on the bottom line of those units. We expect to pay about six and a half million dollars in 2010 to comply with the Alberta regulations. SGER means Specified Gas Emitter Regulations. That's, that's the acronym. Average cost of compliance about \$9.25 a tonne. I think that's... so the way it works is either you pay... the tax at 15 dollars per tonne, or you bring forward an equivalent credits that meet the proper science... scientific protocols, and you get credit for that. So if you were to bring that in at a lower cost than the tax, then, you end up getting a benefit as a result of that by just avoided cost. And we've been able to do that. We

have about, 5 million tonnes of greenhouse gas credits in inventory. I'll talk about that in a second.

Just to give you a sense of where the markets are going in the world with respect to carbon offsets, you'll see currently prices in the EU range about as you can see in the chart around \$20.50 a tonne. That's really also reflected in the impact of allowing, or I call it, clean development mechanisms and credits into the in to the market in Europe. CDM mechanisms, which are really the gold standard, Kyoto based credits that really would be, almost I think accepted in any part of the world; Political, local political considerations aside. REGGI, which is, really an initiative based in ten U.S. Northeast states. That price there is what's trading at right now at \$2.30 a tonne, they've had 5 options, already of the last auction occurring yesterday. I don't have the price at what they were clearing at yet there, but... one of the reasons that price is so low is because they've given, or allocated out, as many credits as there are being emitted. So there's really no incentive to, other than to buy these almost free credits that are given out, though, so. The Climate, the Climate Action Registry, which is a California based registry, again something that we're active in. And then Chicago Climate Exchange, and then the problem with it, those credits is that they really have difficulty confirming whether they are compliant or not with the regimes.

Next slide please. Again, we're active in Canada and the U.S. cause we can have, you know, we treat this as a serious exposure going forward. I think it also gives us some expertise. It's like a business development process, you have a pipeline of projects that yield offsets on a go forward basis, they have a number of them in the pipeline. We're going to be spending more than almost, we're going to be spending almost 20 million dollars in 2010 to continue to build our inventory of credits. As you'll see there, again, focused on credits that will sort of survive the travails of legislation. There are sufficiently.... types of projects are accepted by almost universally accepted, like landfill gas, for example, generally accepted by almost all legislative regimes in the world with respect to having credits that are compliant, and that's sort of something we're focusing on as we look into the U.S. And again, we have more than 5 million tonnes of credits in inventory. We're saying we're quite active in monitoring this. Again, the headline here is we think as we look at acquiring assets in the U.S., we are certainly giving serious considerations certainly to certain coal assets. Cause again, we feel a close reading of the current U.S. legislation would suggest there's certainly some opportunities with respect to looking at those assets going forward.

Next slide please. I think, as you know, no surprises, Copenhagen becomes a transition step to Mexico City

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and then, from our perspective, there's a real risk that the... really two risks in the U.S. One is that the current legislative discussions will get tied up in the next U.S. election cycle, which means it really starts to push off any serious conclusions until probably post 2012. I doubt we'll find out. I think secondly, recent polling by the PEW Institute in particular would suggest that this issue is losing traction, with the average American. So that, which is again draw... It removes a lot of the impetus to deal with the issue going forward. And certainly as, I think you're aware of the greenhouse gas, has been declared to be a pollutant by the EPA and they've indicated that they're going to be taking a role in starting to enforce rules and regulations around this sorry next year.

Let's go on to the next slide please. Now let's just talk a little bit about the development opportunities. I think as we mentioned this morning in our press release, we recently acquired a wind position in Ontario that we submitted into the FIT Tariff. I think we're, I think it's called the Port Dover Project, was sort of, the name was going back and forth. But PDN is Port Dover and Nanticoke, so I mean the... the name has sort of been changing a little bit. The essence of this is it's a 100 megawatts of a project in an transmission... sorry, a region of the province that does have, that has no transmission constraints. So the likelihood of it being awarded of a FIT contract is relatively high. At the cost right now of 260 million dollars, I think, we think that's potentially on the high end and so we're working to drive that down as we go forward. The tiny comb just represents important milestones as far as the project has to go, there's not really when it comes in to service or when it starts to trigger, a capital investment. So in other words it's not till we get a sense of to whether or not this project is actually likely to go forward. So I... just so we're clear, it doesn't mean that it's going to be going into service and generating cash on that date. Kingsbridge 2 is a project we've been working on for the last... last couple of years; it's a continuous or existing wind farm in the Goderich area. Kingsbridge 1, about a 260 megawatt project we're looking at there, about 800 million dollars. Again, all of these projects certainly have a characteristic of long-term off-take agreements with... high credit-quality counterparties. And, if you look at our next project, Quality Wind is one in B.C.. With respect to the B.C. process, you may be aware that the, the province recently... B.C. Hydro recently announced that they had reduced the number of project they were considering in a green called down to 47 from more than 60 and now they're really... what this is a de facto second round auction that's going on right now. They were talking to all of the players and encouraging them to go back and re-evaluate their pricing, though, so. I think we're working hard right now to come up with a competitor price, I think we're going to be able to hit the hit the mark there but we

aren't going to know until the second quarter of next year.

As Brian mentioned earlier, we're still involved with the... with the clean... sorry, carbon capture and storage, working with TransAlta on the Pioneer project. This will be the largest project of its kind in the world and the first integrated project that actually will remove carbon and the, transported for either sequestration or enhanced oil recovery. Then other projects in the pipeline, you can see them all there, I don't think any surprises with respect to the Canadian opportunities and certainly what we're also starting to look at now is opportunities in the U.S. We've identified, if you've read our material, we have really 3 target markets in the U.S.; U.S. Southwest, which is California, Nevada, Arizona. Mid-Atlantic region and the U.S. Northeast and we're starting again to fill our pipeline with opportunities in those regions and certainly with a predominantly a focus on the development side on natural gas.

Next slide please. Brian mentioned we have the disciplined, rigorous approach. I mean, there is no shortage of opportunities out there right now. Being, well capitalized, with investment grade credit rating, we certainly have lots of people that... want to talk to us and we are certainly talking to a lot of people. We do have financial hurdles with respect to project assessments, looking at really two financial tests, an unleveraged IRR in the 8-10% range, depending on whether the project is contracted or not. And certainly cash flow created within the first two years and over the life of the project... sort of being the two broad financial measures that we have. But there certainly are others that are just as important. Again, a focus on natural gas at this point, but also looking at coal assets. The right ones. Looking at level of some contracted output, depending on the nature of the asset and the market it's located in. Ah... as I mentioned earlier, target markets. We came to those as a result of a fairly detailed study of... of all the U.S. markets, that, that are out there, considering things like liquidity, receptivity to independent power production, market size. I think all of those are important. We have certain... we have very strong operating standards with certain kinds of equipment. So we're certainly focused on... on that as a well, pretty important to us as well and we think, is the reputation. So, particularly we look to acquire either a completed asset or an asset under reconstruction, it's how that... how that entity is perceived locally by elected officials, by other key stakeholders. If it has a very poor reputation we...we will walk away from it, cause it just it does take too much time and effort to really try and write that, if you buy the asset. We also have a measure just to... I think to show our commitment to this.. It's certainly in my performance review for next year, which is really to... a commitment of 500 million dollars of capital by the

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end of the year. So that's certainly driving my team to, to move forward. In other words, we were going to try... we have to commit to projects of up to 500... at least 500 million dollars by the end of, of 2010.

Next slide please. So, we have a team that's been based in Chicago for the last 5 years. They have been capital constrained certainly until the IPO. Since that time we've been able to look at more than 50+ packages of opportunities. We've...taken an-... they really arranged the gambit to wind, to coal, to natural gas, to fully contracted to partially contracted, to under-construction, early stage development. And again, in all the market areas that I indicated to you earlier though, so. Both financial and strategic sellers, so again, a whole range of and most of these, and certainly we're not looking for competitive situations. We're looking for, really, the opportunities where we can sole-source and there are a lot more out there than you think there might be, so.

We have taking seven to the next stage where we've actually had made offers and the response generally has none of them have been accepted and what we've been finding is really there is a value-gap there. So, in other words, the price of which sellers are valuing their assets and the price of which we're valuing their assets is different. And what we've and we've certainly have had a chance to talk to people in the U.S. who are certainly are active in the markets. And, we haven't seen a lot of other transactions, but I've heard it described, this gap, as a hope premium. So, and I won't take credit for the term but, it's... there really is no basis for the valuations that we're encountering other than, than there's a hope that the markets will turn and they should be able to realize that if they took a look at current forward curves or price forecasts or other, we call, other value-measures that you would ascribe to an asset, the gap is... still exists. We, we're starting to see it close. I mean, from the point of view of transactions that are currently in our hopper and we expect that that will continue to close even further. We've certainly made to be aware that the Dynegy LS Power transaction finally closed a couple of days ago. So, there are; I'm sure there's going to be a couple of those assets that are going to be up for sale as you go forward though, so. We have reviewed our approach cause I think one of the things you find as a relatively new participant, you want to make sure that we're not missing something but, we've confirmed that, certainly talking to almost all of the investment bankers in both Calgary... sorry... New York and ... and Toronto, there's really nothing wrong with what we're doing and, I think they're comfortable that, and as we are we, that we are going to, certainly have some transactions to announce as we move forward in 2010, so. Those conclude my comments. Let's turn it over to Graham.

Graham Brown, Senior President, Operations

Next slide please. So just a reminder, 31 facilities, we are in 3 different provinces, 7 different states. It is a geographically dispersed fleet and with that comes, some interesting values that you get just out of being in places where you have different weather patterns, different industrial loads, different things that drive the economy.

Next slide please. Fleet overview, as Brian mentioned earlier, it is a relatively young fleet that we have; Average age, just under 12 years. And we have some new participants coming in to join us, with the LMS units coming in at Clover Bar and Keephills 3 that my colleague Mr. Trufyn will talk about shortly. We do look at new technology. The Supercritical units, we did bring that back to North America. The technology obviously has great importance to us with, improved heat rates. So about a 10% improvement there. And as Jim mentioned, certainly, significant reductions in emissions. The LMS100s again, as Jim mentioned, fast, rapid start-ups, perfect for a peaking application and also with the new technology, now highly efficient as a simple cycle machine. And finally, just to come back a little bit in history over the last couple of years, we have been a supporter of the F Class technology and the gas turbine fleet with the Frederickson facility, the Manchief facility and also Joffre. With the geographic dispersment, as I mentioned, comes natural hedges, as you talk about weather patterns in different places, the different markets, the different load profiles, the different industrial bases that you have. And finally, just the mix of technologies that we do cover from coal, across into gas-fire generation and a certain number of renewable in that portfolio.

Next slide please. Just a quick, update here around, so, with such a diverse fleet, how do you manage that? 31 facilities across that larger geographic area, basically divided this process into 3. So at Genesee complex, we have a manager there who runs the whole of that operation. The rest of the Canadian fleet falls under another manager and the U.S. fleet, again. A lot of this set up because different jurisdictions, different regulations, you have to be very familiar with the regulatory climate that you're operating in and that's basically why we're set up and have decided to draw the line across the U.S.-Canadian border, for a lot of the facilities. Also size. Obviously when you're running a 450 megawatt fossil fuel plant, at the Genesee complex, you would look at that very differently than what you're doing when you're operating a 6 megawatt hydro facility in the remote areas of the Queen Charlotte Islands.

Next slide please. To look at our fleet availability, Brian mentioned earlier, we're in the 94-95% range as a pretty much a norm. And you'll see a little bit of difference over the years here. That's basically driven by our outage

programs, and particularly in 2008, where we had some external forces that drove our outage program there with the Alberta Electrical System Operator doing some upgrades that forced our units out of service for a period of time. We took advantage of that downtime to do some major maintenance work and I'll come across that in a slide that you'll see in a few minutes.

Next slide please. So, maintenance philosophy. When you have such a diverse mix, you obviously need to look at different ways to manage the fleet to optimize it. And, go back and I'll use the simple analogy that, you go into the car dealership and you drive a brand new car off the lot. And with the car comes the handbook and inside the handbook, it tells you exactly what your maintenance profile's going to be. From the manufacturer's perspective, that's their best guess. Because they don't know how you're going to operate your vehicle. You could be in stop and start traffic here in the middle of Toronto; you could be driving very short distances. Quick start-up, quick shut down on the vehicle that drives a certain maintenance parameter. You could be very different. You could be commuting along the 401, not in the traffic congestion, but somewhere, let's say, further out to the west or further out to the east and putting lots and lots of miles on your vehicle. That drives a different range, you can have a combination. This is exactly the same things that we face. We change the oil at different frequencies depending on what they, what the unit is running at. And if you're doing stop and start traffic here in the city, over the course of 12 months you might only drive 5 or 6 thousand miles. Sorry, 8 or 10 thousand kilometres. It's my U.S. background coming back in. Ah, 8 to 10 thousand kilometres, you may not need to do anything with the tires. If you're on the highway and you've just suddenly put on 30 or 40 or 50 thousand kilometres over the course of that year, you've got to change the tires. It's very similar, although, technically a little different obviously, but, to the way that we run our facilities. On the technical side, we are looking to add a lot more analytics as we move forward, online sampling such that... we can get faster response and faster recognition of when things are trending offline. And we also utilize the experience of others. We are a member of, a lot of different industrial user groups, covering the turbine technologies that we have and the boiler technologies that we have, and with the Supercritical here there are sister plants to ours down in the U.S. in Wisconsin, in Nebraska and a new plant that's being built in North Carolina. So we are tied in with those, we are also tied in with similar facilities in Korea that we talk to on a fairly frequent basis, gaining experience.

On the operation side greater use of historical trends. Our operators work shift work. So, they're on for 3 days, they're gone for a few days of rest and relaxation, they

come back in. Some things may change. As you come back into the process, you need to understand the slight differences that may have occurred and longer term trending, gives you that ability to go back and look and say, "Yes, we are seeing something that's slightly moving and perhaps we should take a look at that." On, extending outage intervals... part of that is you have to look at how your equipment runs. And a simple example of this is start and stop of large horsepower motors. You know, the traditional way of doing that was effectively you flick the switch and "bang", in comes the power and away you go. You have a high degree of torque on the motor and by virtue of that you're, using up some useable life. Where we're moving to is what we term the soft start approach and variable frequency drives where, when you hit that switch, things come up gradually. It's a lot easier on the equipment and it saves a lot of life. When you save the life, you can extend the interval, and these are the things that we are looking at.

Next slide please. So the talk about the Genesee outage schedule. The 3 major plants that we have are roughly 400 megawatts plus each. So, our intervals here on the traditional facilities that have been in service since '88 and '94, Genesee 1 and 2. Basically we're doing our intervals at a 2 year frequency. You'll see in 2008 there that we actually did 3 major, overhauls across of each of those units as I mentioned earlier. We just took advantage of the downtime that we were forced to take. And, in order to get the system back into cycle, you'll see for G1 there, we did a little bit of minor work around the boiler in 2009 and then that moves its cycle across to '11 and '13 going forwards. On the Genesee 3 unit, the Supercritical unit, we had started out with a plan that we would look at 36 months as our basic cycle system. The plant came into service in 2005 and we ran it, came in to service it in March and at the end of the year in November, we took it down for a couple of weeks to do a warranty inspections, to make sure everything was fine. And ran it, right the way through, 3 years, basically up until 2008. Did our overhaul on schedule in that, timeframe. And then unfortunately later in the year in 2008 in November timeframe, we did suffer a blade failure; I have a couple of pictures of that just to give you a sense of what that really meant. As a result, we have some repair work still to do and we have got some blades on order that we need to change out and we're planning to do that towards the end of next year. So you can see that that's slightly changed our cycle and if you look here into 2011, which would have been where our cycle was, by virtue of the fact that we need to do some turbine work, we've actually advanced that forwards a little ways, and that leaves me with a bit of a problem because now I'm looking at trying to get a boiler from a 3 year process to a 4 year process and we don't really have sufficient experience with the equipment yet to be able to make that decision so we've plunked a little bit

of a minor work there, going in 2012 and then to come back on a schedule in 2014.

When you look at extending maintenance intervals, there's a lot of engineering aspects that you have to take into account. There are trade-offs to be made. There's a question that if you run things a little bit longer, does that mean that you have more wear? Does that drive you to more maintenance expense? What's the relative aspects? How do you make those economic decisions as to what's the right time to do it. So an analogy. So you have wood windows in your house and periodically you have to paint them, and you can look at that as the same way that we look at our outage plans that occasionally you'll see the paint starting to flake off, and you're either going to say, "Well, I'll leave it until I get to it" and when you get to it you might find that you've got a piece of wood that you've gotta replace because it's rotted away. Alternatively, you can go patch it, and, keep the dampness out of the wood and it'll last a little longer. So those are, that's a simple analogy as to how we make those trades when we look at the technical aspects at the operations of the facilities.

Next slide please. So, a little bit about some of the continuous improvement items that we're doing. Jim mentioned earlier that we have a very active carbon market in Alberta. Basically 15 bucks a tonne. And anywhere, in any shape or form that we can find to reduce that cost is a benefit to us. We now have put into place a controllable parameter program that looks at our major equipment, on a daily basis to make sure that we're hitting our peak performance. And by virtue of the focus that we've been able to put on this, we have reduced our emissions on the carbon basis by about 6% on Genesee 1 and Genesee 2, and currently this year about a percent and a half on, G3 and looking at probably close to 4% on... as a reduction going forwards. That, obviously, turns into value.

Other items that we've been dealing with. So how do you get a little bit more performance out of your vehicle? You know, you can look at simple things. If you're a taxi driver, one of the things that they check every single day is tire pressures. How many of us check tire pressures on a daily basis? We just get in the car, turn the key, you hope it goes and off you go to work. But people who drive taxis for a living check the tire pressures every single day because that's an economy measure that will save them gas. We're doing the same thing. We have controllable losses that we monitor on a daily basis to make sure we have our maintenance focused in the right place, and we also look at engineering assessments of our equipment to determine exactly where on the maximum performance curve can we operate. Where is the optimum place? And by doing this, we've been able to extract a few more

megawatts out of Genesee 1 and 2, 5-10 megawatt range on each other units, and that's obviously for the same fuel input, gives us another benefit.

G3, so you bring the unit off its 450 megawatts, it's basically a 24 hour start-up time, or it was; How can you reduce that? There's about 50 bucks a megawatt hour on the basis of being able to bring that forwards. So again, we've looked at air heaters, we've looked at the igniters systems, we've looked at all that start logics, trying to determine how we can improve that and optimize it. And by virtue of the work that we've done, we've actually shaved that time down to about 12 hours.

Lots of other things that are going on. On our mills changing materials from metals into ceramics so that you get better wear properties; on the precipitators, better cleaning processes to ensure that you get optimum performance there, and the list goes on. It is a constant drive for my managers and it's in their performance targets every year that we are driving continuous improvements on this business.

At William's Lake, a little bit of a different focus, so this is the large biomass plan that's in British Columbia. It is one of the largest in North America. Its a 66 megawatt units. So you can see, here is a small plant at the front. That's the physical equipment. And you can see this very large storage area full of wood. Just to put this in perspective, that storage area is around 200 feet this way and 8... sorry... 600 feet this way and 800 feet that way. And that pile is between 75 and 90 feet high. That's about an 8 storey building. The amount of wood that's physically sitting there now, it's about 160,000 tonnes. That's roughly 3 months supply. Managing wood, as you probably read through our prospectus is one of the challenges that we have biomass facilities and one of the improvements that we made this year was actually to come out here and we extended the storage area right around the outside of this facility such that we could store up to 300,000 tonnes of wood. That's moving us from about a 3 month supply up to the 6 month supply. And the basis for doing that is that it's obviously beneficial with the various seasons as to what time you get the wood out of the forest. So you don't want to be going in there when everything is damp, and, it's very difficult to manoeuvre when everybody else wants to get at the wood supply because price goes up. So you look at that and you sort of hedge your bets as to where you can be able to put that wood supply and by having a little bit bigger storage area to manage, then you can, again, work that to optimum efficiencies. Just please keep a note of that pile size just for references, I'll get to that a little later.

Next slide please. Some of the other interesting challenges we have are Frederickson plant. Very highly

efficient, it's a Frame 7FA General Electric unit. Squeezing the last ounce of power and efficiency out of that unit also brings some of the challenges with it. It's a very low NOX emitter, it's less than 9ppm NOX, and as a result of the beautiful weather conditions they have in Seattle, somewhat similar to the outside weather today, you end up with some interesting conditions in the exhaust system. So as the ammonia comes its way through and temperatures cool off, get a little bit of salt build-up and you can kind of see this here, as the mess that's in there. To get in there and clean that out to allow the gas flow to come through, we do use a carbon dioxide B-Blast system, but it doesn't necessarily get it all clean, and we've been losing a little bit of power and a little bit of heat rate out of this unit for the last few years. And, just recently, we took out some plates on the side to allow a little bit of a bypass flow through and we're able to pick back up the, the output that we have lost... still hasn't eliminated the whole of our problem, we still continue to work on that, but that's just another example of some of the innovations that we do, trying to maximize the... the value out of our facilities.

Next slide please. I mentioned the Genesee blade failure. Just to put this in perspective, 27.5 inches, that's about that size. So this is a significant size of blade, it weighs about 18.5 pounds. There's over 108 of them on that particular row. It's not the last stage; the last stage is a little bit bigger still. Our failure occurred, at the tip so as this is rotating at 3,600 rpm, you have the tips are intertwined such that they're locked in place. As the unit spins and once you've broken that locking tab at the top, the blade is actually free to vibrate a little bit, and our failure occurred as a result of that looseness. We are still in discussions between our insurers and the manufacturer for a long term view of this. But again, as I mentioned, we are in discussions with some of the other plants to see what their experience is and we'll move forward from there. But this just an example here around a little bit of the damage that this creates. When you're looking at aerofoil designs on blades, you really need that smooth passageway such that you don't interrupt the flow and you get the maximum efficiency out of the conversion.

Next slide please. Update on Clover Bar. Jim mentioned that this is a three unit complex. The LM6000 has been in service for some time. The second unit, which is our first LMS100 came into service earlier this year and the last unit, as Darcy will mention, it should be available to me very shortly. So the 6000 is the unit there on the left hand side, and the LMS100 is here. This is a peaking plant. So we're looking to maximize our opportunities in the marketplace, Jim mentioned our ability to run the hedges. And now we have physical assets to be able to do that with. An example was back in September of this year the

power prices rose significantly in Alberta, and from a base where we had not anticipated generating, we actually came out with a 25% capacity factor for this facility. So that was about 18,000 megawatts that we added into our output for that period of time. Just again, taking advantage of our ability to manage in the Alberta marketplace.

Next slide please. Wind farm here in Ontario. Again, Kingsbridge, it's been a leader in Ontario wind farms for output. It continues to be a leader. The wind regime this, this year was actually down slightly so our megawatts are a little bit off, but it's fractional. But still performing very well 3.5 years into the process.

Next slide please. A couple of things just going on in the U.S. that I'll mention. We are... we have commenced a re-power process at a couple of our California facilities, and I just put this up here, this is our North Island facility, it's on the naval base in San Diego and we were swapping out, an engine that was manufactured by General Electric... ceased production in 1998 and we have just replaced it with a more modern unit. But the example here is just to show you a little bit around our project execution abilities. This was a fast track project. It received board approval at the end of November in 2008, and you can't really, you can do some pre-planning, but until the board actually approves the expenditures, you are still limited. But from that point in time, a series of things kicked off. You have to get all your permits in place. An air permit in San Diego, air district generally takes 180 days to get. You have to get a contract in place with your suppliers, normally that runs a couple of months to be able to do that. We were in a position February 27th, so this is November 24th taking into account Christmas, taking into account New Years, February 27th, we had an air permit in our hands, the authority to construct was there, we had purchased the materials from General Electric and a number of other suppliers and we were ready to go. Feb 27th, the unit came down, and 60 days schedule, we compressed it to 45. And actually in 42 days we were up and generating on that facility. Just a remarkable achievement by the team. We worked something in the order of 14,000 man hours over that period of time; 24 hours a day, 7 days a week. As a result of that, we suffered one very minor incident; somebody needed a Band-Aid for a cut on a finger. Just a remarkable team effort was put into place. So here, a couple of pictures for you. You can see the size of the guy standing there, around 6 feet and this diffuser here. General Electric had that manufactured in Germany. It came on one of the major transport planes to get it delivered here on time. Over here, again as we retrofit, this is the air intake for the facility and with the new 6000 engine, you have to have a bleed off, just it's an engineering aspect to how the plant operates. So as you

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start the unit up, you do need a different relief system here. So this was retrofitted again, construction of a framework. And this has to be in a seismic zone, so it has to be able to support seismic loading in San Diego.

Next slide please. And just a couple of other items, again, just top of the package here's we're putting in new exhaust systems and a picture of the jet itself, it's amazing what 7 million dollars will buy you these days.

Next slide please. So the last update that I'd like to provide you with is just some of the things going on in North Carolina. Again this is just a high level topic here. If you want to hear a little bit more about these projects we welcome you back this afternoon for the LP version for Capital Power Income. So just here, this is a reminder these are two existing facilities that we have down in North Carolina, the solid fuel facilities, and with the clean air interstate rules, there is tightening up of the emission control standards required for these plants. Traditional methods looking at putting scrubbers on the back end, flue-gas desulphurization systems, putting the selective catalytic reduction to reduce the NOX, those become prohibitively expensive for facilities of this size. So we got a little bit creative around what we could do here and we experimented with some alternative fuels, we've been burning small amounts of tires there for awhile and some biomass just to offset the emissions. Came up on a brainstorm session around with our engineers on the basis of using a triple mix on the fuel blend. So basically, an equivalent amount of wood, tire derived fuel and coal in an equal blend by heat input. Now, you remember that large pile at William's Lake? Well, when you burn wood, it's heat input is about a third that of coal, so, if I turn that around the other way, you need three times the volume, and in order to handle three times the volume, you need to put in a whole bunch of new conveyers, and a new fuel handling system, and this is really what you're seeing here in the Southport yard. Here is part of our storage pile here and the conveyers come up this way, and across, and into the plant. And again, in Roxboro just another couple of use of that. Our objectives here, reducing our emissions, we are reducing our costs on fuel, it's a little bit cheaper to obtain tire derived fuel and wood than it is the coal that we burn, and renewable energy credits. That value the wood brings to us that we can use as a renewable energy credit and even with the tires themselves, 25% of a tire comes from a rubber tree and it classifies as renewable fuel. That's all for me and should be right on time here Randy. Thank you.

Randy Mah, Senior Manager, Investor Relations

Ok, thanks Graham. We'll take a short; well I guess it will be a 15 minute break. We'll come back about 10:40. Washrooms are out the door, turn right, go all the way down the hallway and then down the stairs, and the

washrooms are in the food court area. So we'll see you back about 10:40. Thanks.
(Return from break)

If you can find your seat we'll start shortly.

Darcy Trufyn, Senior Vice President, Engineering, Construction and Project Management

Ok, well, good morning. My name's Darcy Trufyn, I introduced myself start of the day. As I said, in the morning I'm very new to the Capital Power team. I will just continue on with where Graham left off with a couple of our major projects just to give you an update on the status. The first project is Keephills 3, it's been talked about. Brian's talked about it, Jim, Graham. There's the project background, its 495 gross megawatts. We are in a partnership with TransAlta, the two bottom line items are the most important. The last forecast was 1.9 billion, total costs and commercial operations is forecast for the second quarter of 2011.

On the next slide, just to give you a sort of, the status, now. And this was done at, end of October but really, to end of November, not much has changed. We are running at right now at about 1,600 people. If you've worked in construction, when you get over 1,000, things are quite different and so the 1,600 is a challenge but it's very manageable. We are running really at peak and this peak will continue on through March when we hit our, some of our major milestones of completion. The power island, the engineering and procurement is 99% complete. To the end of October, it's actually further advanced now. The significance with that is that really, the scope is well defined and, and that has led, it caused some of the creep in... in the pricing. But we now have a full understanding of the scope of work and we're very confident in our cost to complete. Construction is about two-thirds done; we're advancing very well on construction now. It is changing, we're going from the... wrapping up some of the concrete and structural work and, and into the new year we'll be pretty well just electrics and mechanicals. Overall we're 75% complete so we're heading down the home stretch.

There was a shot on the first slide but it did show the buildings of G3, or sorry, K3 are completely enclosed. We're ready for the winter. Fortunately we've actually had some really good weather and that's helped us in November, but we feel that winter weather will be a non-issue for the completion of Keephills. We did take some actions late summer. And actually on that, just to give you a background, in my previous role with WorleyParsons, I was corporate executive and I was brought in actually, for Capital Power to help try to turn the project around so it was somewhat ironic that I ended being with Capital Power. So I have some familiarity with what exactly was

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going on at Keephills. So we did work with Capital Power. I worked in my previous life with Capital Power to put together some actions in terms of how can we turn around the productivity, as it was starting to trend in really in the wrong direction. So, we, we put some actions together in early September and I'm very pleased to see the, that the actions are showing positive signs. We've been trending now the last 8 weeks, very positive. We're back up to a productivity of approximately 1, which is a really, very good for a major project, and we're headed... it's all pointing in the right direction. And if we can control our productivity, obviously, costs go with that, but the other part of it is the schedule goes with it. And, and right now we're working very hard at advancing one of our major milestones. It was planned for mid-January, we're trying to get it in before Christmas and if we do, that's in the boiler house, that will really give us a good start in the New Year and should help ensure that we meet our major milestone in March with the boiler.

Next slide. Clover Bar, a lot's been said on, and I'm just going to maybe just talk a little bit about the, sort of, where we're at on unit 3. The management took some actions from unit 2 to change the execution strategy on unit 3 and I think those are starting to show results and, or, they are showing results and, and should help ensure that this project finishes up on a high note. So, the execution strategy has really helped, the change in strategy has helped drive the completion and we're advancing the completion now and I'm fully hoping to turn this over to Graham before Christmas. We are in the commissioning mode right now as we speak and that's well ahead of plan and with that obviously, if we can commission it and hand it over, we believe the cost will reflect in earlier turnover. So it's all very positive and hopefully Graham will be running this thing before Christmas.

Next slide. What I thought I'd do next, just to maybe talk a little bit about my organization within Capital Power. I am new, but I'm ramping up very quickly with the learning. We have internally, an engineering and project management group that really has three areas of focus. We manage major projects. That's always been the case with, even within the old EPCOR group, but we are also involved with two other very important aspects. One is to support Graham's group in managing and designing the capital works projects for each year. And Graham showed you a few slides on what those projects looked like. My team is charged with designing and managing those. And lastly and most importantly, you could see from what Jim was talking about earlier, just how many developments he's looking at and my group, it needs to support him in the front end and make sure that he's going into these developments, looking at them with the best information in terms of what these projects will potentially cost. So,

the supporting Jim and that endeavour is a major part of the expertise that we need to have within my group. Our experience is very diverse with really, with the exception of, of nuclear, we've done within Capital Power just all of these, this whole suite of projects and individually as people such as myself coming into the company, we've got our own experiences as well. So we're a very strong group and we'll continue to build that, on that strength.

Next slide. Before I arrived, Brian and his management team went through some organizational changes. One of them was to bring the engineering and manage the, project management and construction together under one umbrella. That is new. I can't say anything but positives on that decision that was a, it's really a required for a company that wants to deliver successfully on projects, you have to bring that expertise together. And so, it is now being brought in, that will make us way more effective in how we execute and deliver projects as well as being much more cost-efficient both internally and externally. The two changes that I just want to highlight going forward that we need to... my group is focusing on is, in support of Graham, in the past the way the projects were being managed were on a one-of basis by the group that I'm looking after. Graham looks at things quite differently, he's got a budget and he's got to execute all these projects successfully. So we're changing that internally as well, and we will and we set up a management team such that we're managing with Graham, a complete portfolio. That will help drive the total cost, ensure that we complete all the projects successfully, not just one, one-of's where some go over budget and then we have to scramble to find extra money. So by putting it into a portfolio, we'll drive the total costs and obviously deal with it as one successful completion.

The other part that we're doing that's a change is that engineering had previously focused only on the small projects. We're bringing that expertise into our larger projects for two reasons: one, for technical support, to help ensure that what we build is what we as operators require, but, and secondly, and most importantly, to manage engineering. And, it's, engineering is the foundation of our projects and it's so important that we manage the engineering contractors in the same way we manage the construction contractors. And so that expertise is being brought into our projects group.

We are focused on total project delivery and that means from concept right through completion, handover, and turnover to Graham. And that, I think it's again, a bit of a difference. I and my group have to be much more involved in helping Jim and his developments from... on the conceptual side and as well, turning them over to Graham such that these, they're as built and closed off correctly in the best manner for his operations. With that,

that brings some... we're doing a number of changes internally in terms of improvements through our work processes and adding some new tools. Part of doing these developments is to be sure of your cost and with that you need a strong estimating database and that's one of the areas that I'm working on with my team and that's an ongoing challenge. But we've got some near term objectives in terms of building up our database. We're revising our risk review process. These are the contingencies, how we evaluate risks on our projects and, and, and we're engaging a much broader audience in that process. Value engineering, constructability, these are good motherhood statements, but again we are formalizing how we're going to, not just build these projects to know what our price is, but how do we drive the price down to get the lowest dollars per megawatt. And that, that is the challenge and there's some things we're going to bring in to help in that regard. And lastly, on engineering standard, just to making sure that wherever we're building our fleet that it's the CPC way and that we have standards that really help ensure that we don't have different parts in different plants that just, maybe not, won't have the same operational durability.

Next slide. And just lastly, just to talk, Jim mentioned that in his one slide about near term projects. What's on our horizon, near term really, are primarily the wind farms, and on that, just a few comments from my group. We see these as having lower execution risk. One of the clear or main reasons for that is because the scope is very clear. Part of the... or... one of the main reasons for projects going over budget is scope growth. And, and when you can go into projects and have a very clear definition of scope, the likelihood of a good outcome is substantially higher. We are bringing in and we've got historical costs from our K1 project and we are testing the market. We've been working very hard over the last two months, repricing and detailing the cost of the different elements to these facilities, so we're feeling very good about what we can do with these projects. And lastly, another motherhood statement, anything we execute we want to minimize the risk and drive cost certainty. Well specifically on the wind farm we have an execution strategy we're very comfortable with and we believe it's going to show some very positive results upon conclusion. And with that, I'll turn it over to Stuart. Thank you.

Stuart Lee, Senior Vice President and CFO

Thanks Darcy. I'll start off just talking a little bit, stepping back and talking about financial strategy and our financial strategy is pretty straightforward. Our goal on the finance side is to ensure that we maintain ongoing access to cost competitive capital and we do that in a number of different ways as we look at our strategy going forward and on the debt side it's ensuring, on credit, ensuring that we have access to debt through investment-grade credit rating.

And, as well, ensuring that we have well spread debt maturities that are supported by asset lives... Complimented by having strong liquidity position. As we look at the equity side, fundamental to our financial strategies, ensuring stability of that dividend. And I'll touch on that, add a little bit more detail.

We are in the commodity business and therefore as, I think Jim highlighted, we have exposure certainly to the market prices, particularly as we go forward into 2011 and 2012 and onwards, and therefore we do have very active risk management policies around our commodity positions. In addition, even though we don't have significant foreign exchange or interest rate exposures at this point in time. Certainly as a financial organization, we do monitor those, we do report those to the Board and we do have active programs in place to manage those. And the last point I'd like to point out, just the financial flexibility. The one thing that we are very fortunate as an organization coming... spinning out of EPCOR is, we have been well capitalized coming out and as a result, we have a number of different levers that we can pull on a go forward basis to provide ourselves with a competitive cost of capital position. We have a relatively low leverage. As of right now, we don't have preferreds in our... or hybrids in our capital structure and so are there a number of things I think we can add going forward, to provide that level of flexibility as we look at different projects and how to finance them. And I contrast that to other organizations that may be higher levered, or have a number of prefs or hybrids in their structure, and don't have those levers to pull. So we feel like we're very well positioned.

Next slide please. As I mentioned, we come out of the IPO with a very strong financial base, investment grade credit rating at triple B, rated by both S&P and DBRS. We have a 35% debt to cap ratio and I think if you again, if you compare that with our peer group, you'll see that's very favourable. And it also provides us the capacity to take on developments and I think moderate sized acquisitions without necessarily tapping into the equity markets in the short term. And I expect that we'll be in the process of filing base shelf prospectuses over the course of the first quarter to put us in a position to access those markets relatively quickly. The other thing I'd point out is we are looking at preferreds and hybrids, and we expect to see those in our capital structure over the next couple of years.

Next slide please. Just touching on liquidity and looking at our debt profile, we have 1.2 billion dollars in credit facilities. Currently, we have about 0.2 billion dollars that's currently utilized. If you look at our capex program for next year with Keephills and our expectations around what our operations will generate from operating. Our expectations is that utilization will likely climb to about 0.3

billion next year. So again we have ample room within our credit facilities to not only look at further developments but in the case if credit markets were to tighten, certainly with the maturities that are that are out there we have lots of head room within our existing facilities. The debt profile if you look at our maturities from 2010 to 2018; certainly very manageable. The one thing I would point out, I think Brian highlighted. We have on average, our assets are about 12 years old, and certainly as we have assets like Genesee 3 which are 4 years old and have 36 years plus life or Keephills which is our portion is close to 1 billion dollars and has 40 years life. We believe there's lots of capacity within our debt profile to add 10 to 30 year debt, which will certainly spread that maturity out from 2020 to 2040. So contrast that if we had 25 or 30 year life asset, the ability to spread those maturities would certainly not be there for other types of organizations with older assets.

Next slide please. Jim touched on this and I'll go into a little bit more details. One of the things we are very focused on is ensuring we have capital discipline. And we have set very specific targets around our expectations, around returns. 9%+ on contracted what we consider low risk opportunities, as we look at merchant opportunities at a minimum of 11%+ on those type of opportunities. We also expect EPS accretion within the first 2 years of any acquisition or development. We will look at a balance capital allocation and certainly looking to balance both contract and non-contracted assets. We'll maintain a contracted asset base of a minimum of 50% of our operating margin. And I think Jim focused in on, Brian as well, we do have very specific market focus on the markets that we're targeting in North America and I think you'll see our strategy will consistently execute as we've laid out. And one thing I think that I want to re-emphasize is that while we are certainly focused on trying to grow this organization, we will not compromise our financial integrity. We will be a very strong financial base, which I think will provide us good growth over the long term.

Next slide. Looking at the financial ratio target that we've set internally, again on the dividend side, consistent to what you'd see for most of our peers. We expect to be in the 60 to 70 % payout ratio over the long term. Debt to total capitalization ratio of between 40 and 50%, and as I mentioned we are currently around 35. So we do believe we have ample head room to look at different types of opportunities. Funds from operations to total debt ratio of a minimum of 20% and again as I mentioned looking at a mix of contracted merchant with a minimum 50% coming from contracted operations. And certainly as we look at making sure that we have stability in our dividend, that's pretty fundamental for us is ensuring we have a contracted asset base that absolutely provides certainty around that dividend on a go forward basis

Next slide. One of the things I think you heard from Graham and that we believe is a core competency for this organization is our operations. We have a long history, over 100 years of operating power assets. And we are a very competent operator and we think that sets us apart in our industry. And it's impossible in our business to separate operating performance and financial performance. And if you look at our history of availability running 94 to 95%, we believe that that level of availability is achievable going forward. We, or I and Brian, were asked on a recent analyst call, "You had great availability in the third quarter, is that sustainable?" And our answer is absolutely, that's our expectation. We expect to deliver high availability and as a result, we expect not to surprise the market with operating upsets. And there will be from time to time obviously, challenges with unplanned outages, but as an organization if you look at our history I think we have been very good at delivering high availability and high operating performance.

Next slide. Contracted operating margin, again if you kind of look at how our operating margin was expected in 2010, 43% is coming from our Genesee 1 and Genesee 2 facilities, which are contracted. If you look at the LP, it provides about 14%, all contracted operating margin expected for 2010. 3% is coming from contracted assets in Ontario and British Columbia, and the balance of the Alberta position, which is merchant which is this blue piece and the black piece, it's about 40%. 36% of that total expected operating margin is sold forward in the mid-\$60's next year so we believe we have a very stable profile for 2010 as we move into next year.

Flipping to the next slide. Capex, if you look at our commitments on Keephills next year around 250 million as I think Darcy previously mentioned, Clover Bar is expected to be commissioned this month. There may be a small amount of capex on Clover Bar next year but is relatively minor. Sustaining capex, it's about 60 million dollars forecast for next year. The one item on there that I point out is emission credits, as Jim talked about, we do plan on spending about 20 millions dollars next year on emission credits. Our actual expense is 5 to 6 million dollars associated with those credits that will be utilized and so we are building a store of emissions credits particularly as we expect Keephills to come online in 2011 and so we are actively managing forward that program.

Next slide. Just stepping back and looking at 2010 versus 2009, what's our outlook for next year. There's a number of kind of puts and takes. Next year we will sell our remaining 15% in Battle River. So the plus side of that obviously will be the gain associated with that, but we will lose some cash flow, coming out of the Battle River PPA. We do have two scheduled maintenances, one for Genesee 2 and one for Genesee 3 next year versus the

back half of this year where we've had one at the Genesee 1 facility. So we will have maintenance costs associated with that as well as lost revenue and some availability penalties associated with the Genesee 2 facility. We do not expect any significant transition costs as Brian mentioned, most of the transition activities are going to be completed this year, there's just a small amount scheduled for next year. So don't expect any significant transition costs next year. And as I discussed on the previous slide, we are primarily hedged for 2010 at an average rate of around 65 dollars. And the addition of the Clover Bar units will certainly add to cash flow next year. Pulling it all together, looking at the puts and takes, our expectation is the 2010 EPS will be roughly in line with 2009 on an annualized basis, if you exclude the mark-to-market gains and losses, as well as the Battle River PPA gain.

Next slide. As we move forward past 2010, obviously, 2010 sensitivity to power price movements is relatively small given our hedge position, looking at a 10 dollar change in the Alberta power price. In 2011, with Keephills coming online unless sold forward, we have a slightly... or... significantly higher variability in those earnings based on what happens with the Alberta power market. And again, 2012, but again, our view as Jim I think highlighted, is the Alberta power price market in our view will continue to strengthen as we move forward and we see reserve margins start to tighten and gas prices recover.

Next slide. So out of the different slides, the 10 slides I'll be presenting, I guess this is the one that I'd probably highlight the most. Now we believe there is significant upside in our story. If you look at our existing value, almost 25% or over 25% of our enterprise value is currently tied up in construction projects that have yet to generate cash flow and income. And they will add materially to both as we move forward and they come in to commissioning, particularly Keephills as it comes into commissioning in 2011. And if you, again, I know that a number of our peers also have fairly significant projects under construction, but if you look at the total of our construction projects versus our economic value, it is very significant for this organization. And we'll, I think it'll be a significant player into our value on a long term basis. We are the most highly levered company to Alberta power prices and we continue to believe that the Alberta market is the best in North America... if you look at reserve margins, the supply-demand balances, as well as our expectation around ongoing demand-growth in the province. As I mentioned, we do have the capacity in our balance sheet to fund additional growth and, as I think a number of us talked to, we do have a very young power generation fleet with long remaining life.

Next slide. I'll turn over to Brian.

Brian Vaasjo, President and CEO

Thank you very much Stuart. Before I actually get into summarizing what you've heard this morning, I'd like to first address some of our 2010 corporate priorities. And some of these we've heard as we've gone through the morning and in a couple... I'd just like to draw your attention to, and to provide some context. First thing in regards to plant availability, our expectation for 2010 is that it should be at 94% or greater. And generally how that works is that if we've got, if you look at the Genesee facilities, if we have one turnaround for Genesee in a year, for one of its units, that basically means that we should be at about a 95% availability. If we happen to have 2, then we should be at about a 94% availability. If we happen to have a particular year that we may not have any major maintenance on Genesee, then that would drive a 96% availability. So very very stable availability as you saw with Graham's slide. So next year being two major maintenance on the Genesee complex, that moves us to a 94%, and of course, over the fleet, we'll be trying to move that availability up through the year. Maintenance capital expenditures in the area of 60 to 65 million dollars. Now, in that, as Jim described, there's about 19 million dollars associated with GHG management. Our exposure in a year, when you go through the math, is certainly less than 10 million. So this is building on an inventory of GHG credits, investment and opportunities to generate GHG credits, so it's more than just what you'd consider to be typical capital, maintenance capital expenditures.

On the growth side, looking at our construction and development objectives, so certainly, to keep Keephills 3 on forecast for our portion to be less than 955 million dollars is certainly a major objective of ours and of Darcy's in particular, and to have a completion, Q2 to 2011 or earlier. And as you heard from Darcy, we're certainly getting much much more comfortable with the schedule and certainly from a cost standpoint. You heard from Jim, a commitment of at least 500 million to capital opportunities, and again, that meet our objectives on our target rates of return but also the discipline around a number of the other parameters that we look at both in terms of acquisitions and in terms of development. So certainly, if we make a commitment, capital commitment, in 2010 towards some of the wind farms we were discussing, that counts to that 500 million dollar target.

Now, the whole issue of growth and the whole issue of drive for growth, and acquisitions, and development has been a significant part of our story. And through road show discussions, through our analyst discussions and certainly through our two calls thus far, it's been a major issue and a major concern of the market. The issue being are we driven by growth? Are we going to enter into not such a good transaction, just so that we can meet either a

500 million dollar objective or a growth objective? And we've been very consistent in saying... "we believe those opportunities are there, on either the development or on the acquisition side." We are putting a lot of time and resources into finding and developing those opportunities. We fully expect that in 2010, that those, some of those opportunities will come to fruition on the development side and there may well also be some acquisition opportunities. But at the end of the day, when I stand here in, at the end of 2010 and we haven't either acquired an asset or ended a process, or we haven't come... brought to a further fruition any of the development projects, that's fine with us. We will not do a bad project, we will not acquire assets where we have to have stretched our rates of return or our criteria. So, we are very much growth driven but we also have an extremely strong discipline to make sure anything we do is the right thing for the shareholders. So, when we have an internal objective of 500 million in respect of our view of what we can commit on a capital side for 2010, again, that's a very disciplined approach to it and in the event ... and I'll repeat again, if this time next year we haven't fulfilled that particular objective, that's fine by us because it's not because we haven't been putting efforts into it. It's more that we have exercised the discipline to ensure that everything, again, that we're doing is in the best interest of the shareholders.

From a financial standpoint, as Stuart just described, 2010 EPS is expected to be roughly in line with 2009 when you adjust for the Battle River transaction and mark-to-market noise. And we do have some refinancing to take place in 2010; 245 million dollars which, we certainly don't see as a significant challenge, but certainly it's one of the things that we've got to get done last year... or... next year.

One on the items that I think is near and dear to all of your hearts is our continuing to develop a robust investor relations program. I think today and I think you've seen with what we've been doing to date in terms of our disclosure. There's a significant effort trying to make our business and our particular situation very transparent to the market. We're trying to ensure that our communication is clear, we're trying to ensure that when we have sessions like this or quarterly results, that when we're finished people do increase their understanding of our business, they do understand to a greater degree, where we are from a financial and from a business standpoint. And we'll be continuing certainly that effort of enhancing that investor relations program through 2010 and at anytime, Randy or any of us are very interested in what your comments are in terms of, "How can we make that program better?" If we believe, or, if we deliver on these objectives, then of course we have a number of more objectives in 2010, we believe that Capital Power should be able to deliver a total shareholder return that is

greater than the median of our peer group in 2010. And that's another one of our objectives, one of our corporate objectives for 2010, and I'll come back to these objectives every quarter and talk to you specifically as to how we are doing in terms of meeting each of these objectives.

Now if I could have the next slide please. So, in summary, in putting it in terms of an investment thesis, I'd like to first start at the highest level. The power generation business in North America is a very good business. On an ongoing basis, we need power and we need increasing amounts of power, so just the fundamentals of the business are very very positive. If you look specifically at our existing portfolio and our significant investment in Alberta, Alberta is probably the best power market in North America. It's got the strongest fundamentals, it's got the earliest indications of further growth and development, and certainly it is one of the areas of North America, if not the area of North America that's going to show growth in the economy in the near term. So we believe we are extremely well positioned, both in terms of a business and specifically where our investments are today.

When you look forward through 2010, our expectations and you saw it in some of the graphs for recovery of power prices is not that robust. On the other hand, we are basically fully hedged through 2010. And... which is consistent with that view of the economy will start coming back both on a North American basis and certainly on an Alberta basis in the latter part of 2010 and certainly we'll see, we're well down the road of recovery in 2011 and 2012, where we see some tremendous upside. The combination of increasing power prices and being well positioned in Alberta from a merchant basis, and you saw Stuart's sensitivities in those years and you see that we have a tremendous upside opportunity there. In addition to that, that's when, our new facilities, Clover Bar 2 and 3, and certainly Genesee... or... Keephills 3, will come into effect and will both materially increase our cash flow generation in 2011 and 2012. And in the meantime, in terms of just an overall sort of investment thesis, that upside is absolutely there in 2011 and 2012 and in the meantime, investors can enjoy a very significant dividend payout at 6% and above. Overall we see as an excellent investment story and investment thesis and would like to now turn it over for questions. Thank you.

QUESTION AND ANSWER SESSION

Randy Mah, Senior Manager, Investor Relations

Thanks Brian. As this event is being webcast, we ask that you speak your questions into the cordless mike, either Sara or Dawn will come to you. So, we're happy to take your questions now.

Michael Lapidès, Goldman Sachs

Hi. Thank you guys. Michael Lapidès of Goldman Sachs. Can you talk about the supply stack in Alberta? Meaning, what changes are you seeing in the supply stack, not just your changes obviously with Keephills 3 and Clover Bar, but also whether Enmax or others or adding either low heat rate gas units or even renewable. I would love your insights on how much wind do you think will either get built in Alberta or will actually be able to wheel into Alberta overtime.

Jim Oosterbaan, SVP, Commercial Services

Thanks Mike. I think the, what we're seeing as far as on the thermal side is there certainly is an addition of peaking capacity in the province this year with the Clover Bar units coming into service. Crossfield, which is another 3 LM6000s being built by Enmax is just going through commission right now and should come into the market we expect probably in no later than Q1 in the next year and that, those heat rates are probably in the 9-10 ranges. As far as other thermal assets, nothing of note this year.

Looking out forward, I think there's some modest, either the gas-fire generation coming in... and in bits and in the oil sands area as well, but nothing substantial. The stack has, is probably not changing all that much other than you're seeing an insertion of more peaking capacity. More wind has come on. There's certainly, TransAlta has completed, I think, a wind project this year and certainly there's... I think, more looking to be built, but it's a top price environment cause it's a merchants' energy only market in Alberta. There are, and depending on your... with the cost to develop wind, it's really not all that economic right now though. So I think other than maybe what's in the pipeline from the point of view that it's being developed, not a lot more will come on. I think on an average day if you've got a strong wind blowing, as we've had that probably in the last 4 to 6 weeks in Alberta, you're probably looking to between 450 to 550 megawatts of wind, wind-fire capacity comes on and off the system recently in the last week with the weather changing, the wind has stopped blowing and you've seen the prices recover as a result of that, so.

Question from audience:

Yeah, you're talking about both your growth and acquisition strategy but you haven't really talked much about the investment in the Capital Power L.P., and, would you consider increasing ownership in that or you're happy with what you have? This is 500 million dollars of growth opportunities. If nothing else comes up, would you consider using that towards increasing investment in Capital Power L.P. or Income LP?

Brian Vaasjo, President and CEO

So, we will certainly continue to invest in Capital Power Income L.P. as opportunities arise and depending on the investment criteria and so on, in respect to Capital Power. So each opportunity will be looked at independently. Wouldn't really expect the 30% position to increase, and again, depending on the particulars of the investment opportunity and the capital requirements of Capital Power. You may recall that one of the things, or one of the elements of discussion between Capital Power and the independent directors was much more flexibility in elimination of conflict et cetera, as it relates to business opportunities going forward but also the demands on capital, of capital on Capital Power. And we now have the latitude to reduce our investment in Capital Power Income L.P. to above 20% zone. Now, again, that is... is a matter of flexibility as opposed to that's where Capital Power expects to go. But it does certainly open up flexibility, but, we'll absolutely look at investments in Capital Power Income L.P. as a positive thing and certainly, the fact that we do have that opportunity, as I said earlier, actually reduces what I might call any potential friction around investment opportunities if there was a acquisition oppor... to smaller acquisition opportunity that Capital Power was developing or had turned up and it turned out that the limited partnership had an interest in actually acquiring it, that would mean that they certainly would have that opportunity and we would still have the opportunity to participate through that 30% investment of any capital raised to support that, so there's no losing situation for Capital Power, it always is just a matter of how big of an investment we make.

Steve Dafoe, Scotia Capital

Hi. Steve Dafoe, Scotia Capital. Just a couple of questions about the financial ratio targets. First, the dividend, is that 60-70% of net income or net income adjusted for commodity hedges or is it a... of a cash measure? And on the debt to cap target of 40-50%, would that be entirely dependent on realizing growth opportunities or could that move up independently in anticipation of growth?

Stuart Lee, Senior Vice President and CFO

On the dividend payout ratio, that's based on earnings and so it would effectively exclude kind of long term mark-to-market, but it would be based on earnings. And your second question around our debt to cap ratio, that again is our expectation even under growth scenarios and so our expectation is to maintain that discipline and keep our leverage under 50%, even as we look at growth.

Matthew Akman, Macquarie Capital

Thanks. Matthew Akman, Macquarie Capital Markets. Stuart, what is the amount of room you think you have on

the balance sheet in getting up to that target debt ratio, to make acquisitions over the next sort of 12 to 24 months? Without issuing common equity?

Stuart Lee, Senior Vice President and CFO

Without issuing common equity, yeah, I think we've probably got 3 to 4 hundred million dollars worth of headroom. And again, it'll depend a little bit around what type of asset you buy. So say it was, if it was a contract, fully contracted asset with a low risk profile, we might look at something that's kind of at the upper end of that range and if it were merchant, we'd probably look at something at the lower end.

Matthew Akman, Macquarie Capital

Ok, thanks. I guess this question, Brian, is for you. It's around your growth plans and strategy... around acquisitions and fully understood that you have tight parameters around when you'll make acquisitions and when you won't. But just the objective itself of growing the company by acquisition and taking on more assets, what is really driving that strategically? Is it that you want to diversify the asset base? Is it that you think you'll have a lower cost advantage with scale or geographic diversity? Because, I guess if you really believe in the Alberta power market, your stock would be, you know, undervalued based on your belief and why would you want to dilute that, I guess, through acquisitions at this time cause that might be a trade off.

Brian Vaasjo, President and CEO

So Matthew, there's a number of elements to your questions. So let me approach it this way and I hope I hit on all of them. So on a broad basis, as we look at the market today, and I think part of our investment discussions that we've had in the past, and one of the things that's driving our perspective on ensuring that we never impact or impair the financial integrity of Capital Power, is that the power business is in a cycle and it will continue to be in a cycle much like in natural gas or any other commodity. And there are... if you scroll forward or you scroll back when there is significant growth in demand, there's tremendous opportunities to develop and we will fully participate on the development side. And you'll probably see much much less if any emphasis on acquisitions, we may then move to being more opportunistic as opposed to looking specifically for acquisitions. At, where the market is today is the time when it's cheaper to buy assets than it is to build assets. There's more opportunities for us to go out and do good acquisitions, assuming that that price differential moves together in a relatively near term. We just see at this part of the cycle, it's just... there are good economic propositions through the acquisitions side and, certainly over the next number of months, we see increasing

financial pressure... increasing refinancing pressure that should shake a lot more of those assets loose and will move their view of value, much more rapidly towards our view of value. So it's just where we are in the cycle and why there's an emphasis.

When you look at the Alberta market and where we are, absolutely believe it's a wonderful market to be in, but there are limitations. There's limitations from both the standpoint of diversification, we would like to be more diversified than to be that significantly positioned in the Alberta market, and a way to do that is through growth. But the market itself, there are some practical limitations as to how big you can be in that market and still... as Jim had said earlier, we came up, we were bouncing up against some of those limits and actually, that's what drove the sale of the Battle River PPA so that it gave us some room, and this is room from a market surveillance standpoint, where we could increase our position through the development of Keephills 3 in combination with that, the Clover Bar units. Otherwise, we wouldn't have sold the Battle River PPAs, we would have some very significant and severe restrictions on how we could operate and dispatch our assets. So that's, so it's not that, if the Alberta market was significantly bigger, we would be talking about significantly more investment opportunities in Alberta. I mean, we think it's a wonderful market, but we're pretty much at our limit.

Matthew Akman, Macquarie Capital

Thank you.

Robert Kwan, RBC Capital Markets

Robert Kwan, RBC Capital Markets. If I can just talk a little bit about that more, Brian. You talked about, that it's cheaper to buy than to build right now. I think Jim spoke a little bit earlier that you participated in some processes, haven't been able to come to values, yet you're still looking at some of the wind development in Ontario. So, can you give a little bit more colour about that and then maybe just from a higher level, in how you approach the growth. Can you talk about where you see the IRRs with respect to new builds, to acquisitions, also Capital Power L.P. and investments there and then lastly, your existing portfolio?

Brian Vaasjo, President and CEO

So starting at the, what I think was the front end of those... that series of questions. So in regards to looking at the element that it's cheaper to buy than to build, that's certainly relevant. If you were looking at fully contracted assets or if you were looking at a class of fully merchant assets, that's generally the case. The market values today, in terms of what we are looking at and talking to people in terms of dollars per megawatt, tends to be lower

than the cost of build. Now that's of course our view of value, and we expect that through increasing financial pressures and as you've seen in our forecast, we don't expect the power markets to recover through 2010 to any significant degree. We think those pressures will move people's view of value closer to what our view is. Cause there are a lot of assets for sale, the issue is, and not just with us but with the group of potential buyers, group of potential sellers, that gap is there and until that pressure becomes more and more, that gap will persist. I mean, we're actually very pleased to see that there is a significant amount of market discipline on the purchaser's side that's being exercised by virtually everybody.

So in terms of looking at new builds and the costs associated with that, some of the new builds that we're looking at from the wind side, certainly the prices are coming down on new build and that's basically because there is a significant reduction of the froth in the market for, in particular, wind turbines. So we see that those prices are coming down and depending on the vintage of power purchase arrangement that you're looking at and the cash flow associated with that, big... on a cost specific basis you may well end up with finding an opportunity where... what you pay on an acquisition basis may well be higher than the new build just again, depending on the particular contract that you're looking at, associated with that build. So that, when you have contracted assets a little bit more combination of asset and contract specific, in terms of what the value is.

Question from Robert Kwan
[inaudible]

Brian Vaasjo, President and CEO

In terms of... well, what we're looking at of course is certainly in the ranges that we're talking about. So what we see from a merchant's standpoint... and again, looking at a merchant facility and looking at an IRR at 11%, that would be assuming... I'll call it a normalized risk. So, not a huge exposure on an environmental side, significant life left in the asset, likely natural gas based, that would be the IRR. Now as you become... I'll call it riskier and riskier, on that spectrum you'd certainly expect to see what we would expect in terms of an IRR, to go up. So that's a target, it's not a hurdle, and it will go up with whatever the perceived risks are of a particular opportunity. When you look at the contracted side and the rates of return that we expect on it, 9% is the target that we are talking about. That would be typical of, say... a wind contract in say, Ontario or B.C., long term contract, relatively low construction risk, even if we look at the same sort of discount rate if we were looking at an acquisition. We don't see a lot of differentiation in discount rate whether you're developing or whether you're buying other than taking into consideration, the particulars

of a construction associated with that project. Does that help, Robert?

Michael Lapedes, Goldman Sachs

Thank you. Michael Lapedes, of Goldman. Longer term question. Do you worry that the industry as a whole is in the beginning stage of a very secular shift when you think about demands? That, for the last few economic downturns of the last 25 or 30 years the snapback has actually been across larger parts of North America, continually smaller. Meaning, yes, demands rebounded post-recession but it rebounded smaller than it did the last rec-... you know... the last time we had a recession. And that was before... hundreds, if not thousands of people in places like Silicon Valley or Boston or Austin starting thinking about "How do I reduce demands overall for environmental or economic reasons?" Can you talk about kind of your thoughts on long run electricity demand? Especially in Alberta but really throughout most of your markets and whether the long run growth rates could wind up looking very different than historical growth rates.

Brian Vaasjo, President and CEO

So Michael, I'll make a couple of comments on it and Jim may have some to add on it, but when you look at where the overall North American power generation market is going, we have seen historically, growth in power demand in the 1-2%-ish, some good years 3, and certainly in the last couple of years it's been flat in some areas, a bit of decline. But, when you look at the need for power overall, we see that it'll be a continuing demand, a continuing demand increase and there's a tremendous amount of capital stock that's got to turn over with existing facilities that are reaching the end of their physical and economic life. So even if you had a view going forward of a modest growth in power demand, there's a significant amount of opportunities that will be there just replacing existing capacity. And one of the things that we're really focused on and I hope it keeps coming through, is that when you talk about the market hitting a significant downturn and there's a significant implications for power generators or IPPs. Our expectation is that we'll be able to come out of that, and rebound even further than others. Because when the markets are doing real well, we'll be developing and keeping up with the best of them in terms of new opportunities, building value and growth. When we hit the downside, we're going to have a balance sheet that we can participate in those opportunities, so, certainly our downside will be significantly cut off relative to others in the North American market. So a very significant fundamental of what we are suggesting and the approach that we're taking is we're going to maintain that balance sheet. And when others are having to sell assets, we won't be selling, we'll be buying, much like the market is today. Pressure's not quite enough to have lots of people

selling but our expectation is that people will start selling fairly shortly.

Jim Oosterbaan, SVP, Commercial Services

I'll maybe add a little bit on the Alberta market then just with respect to, I mean, longer term demand prospects again, I think annual demand growth averaging 2 to 4% in Alberta over the next 10 years is not out of the question. And I think you're seeing a rebound with announcements by Suncor around Firebag, Imperial with Kearn, Centurious with their two billion dollar announcement as far oil sands development, and certainly there are other players that positions in the oil sands that have yet to be developed to there's still, we think a large amount of money to be spent in that part of Alberta and it does have spinoffs not only in Alberta, of course, but other parts of Canada as it has had for the last number of years. So we're starting to see I think a rebound I would call the more conventional indicators in Alberta for example, housing prices, housing price volumes of sales. So I think longer term, we think Alberta's well position from a supply-demand perspective.

I think it's some of the other markets that we look at, especially our target markets, demand growth in the range of 1 to 2%, we think is reasonable. You know, there is, I think a fairly significant changeover in capital stock that Brian's mentioned, that I think is likely to continue to occur. There's no doubt I think that you're going to see some shift in the structure of the markets as you see more wind development start to occur and there's going to, put some stresses on the profile as far as any more peaking resources required, maybe less base power, but I think we'll still, longer term, we expect that there's room for a company like ours in all the areas that we've mentioned though, so.

Matthew Kolodzie, RBC Capital Markets

Matthew Kolodzie, RBC Capital Markets. When you look at your merchant portfolio, I just wonder how aggressive you would get in terms of leaving a merchant into the future. You have 90% hedged for next year, and I think you had a slide, it was 45% two years out. Is that kind of where you'd like it or would you stretch it a bit more in the expectation that power prices are going to be higher a year or two out? Would you let that merchant portion grow?

Jim Oosterbaan, SVP, Commercial Services

Well I think the... our risk management limits and structures really don't allow us the... don't come into our prompt year, sorry, current year with being open probably more than maybe 30 to 40% on an annual basis though, so. That's also, we will not take big, large positions on an annual basis in the current year. We certainly look to do

things on perhaps, on a quarterly basis if we see a view of the market. I mean, the position we have for 2010 reflects the view that we have of Alberta prices going forward, a need I think to have some stability in our earnings so that's why you see the hedge position that we have. I think you've been... most of those positions were put on a number of months ago as you can tell by the pricing that we presented in that chart. And again, because of our discipline around risk management, I can't imagine that a scenario that we would be going into on an annual basis, with limits having maybe more than 20 to 35% open though, so.

Randy Mah, Senior Manager, Investor Relations

Any other questions? Ok, so that's it. Brian, if you want to wrap up.

Brian Vaasjo, President and CEO

Thank you very much Randy. Again, I very much appreciate your interest in Capital Power and joining us here this morning and certainly those who have come in through webcast. We do, again, have a very strong commitment to trying to communicate with the market, providing you with whatever insights we have, both into the market and certainly into Capital Power. Please feel free to contact us if you have any questions or issues. And certainly, if you have any suggestions as to what we can do to make our story and the power business a little bit more transparent to you and to the market as well. Next year we will be continuing with the practice of quarterly calls and making ourselves available to the market on a quarterly basis in terms of coming out to Toronto, going to New York, visiting Vancouver. Again, on a quarterly basis, so, again, we really do encourage you to provide us some feedback as to what we can do better in terms of communicating our story and making clear what our objectives and what our intentions are. Again, thank you very much for joining us this morning and I think I'll turn it back to Randy for the lunch.

Randy Mah, Senior Manager, Investor Relations

Yes, just as a reminder if you could hand your evaluation form at the registration desk that would be greatly appreciated. And it looks like buffet lunch is ready, so hopefully you can join us for lunch. Ok. Thank you.