OPERATOR: Welcome to the Capital Power Income LP and Capital Power Corporation analyst conference call. At this time, all participants are in listen-only mode. Following opening remarks, we will conduct a question and answer session. Instructions will be provided at that time for you to queue up for questions. I would like to remind everyone that this conference call is being recorded on Tuesday, October 5, 2010 at 11:00 a.m. Mountain Standard Time. I will now turn the call over to Randy Mah, Senior Manager Investor Relations. Please go ahead.

RANDY MAH: Good morning and thank you for joining us today on short notice. Earlier today, Capital Power Income LP and Capital Power Corporation announced that Capital Power Income LP would initiate a process to review its strategic alternatives. The news release on this announcement is posted on both companies’ websites at capitalpowerincome.ca and capitalpower.com. Joining me on this conference call to discuss the announcement is Brian Vaasjo, President and CEO of Capital Power Corporation, and Stuart Lee, President of CPI Income Services LTD., the General Partner for Capital Power Income LP. This call will include opening comments from both Brian and Stuart followed by a question and answer session.

Before we begin, on behalf of both CPC and CPILP, I would like to point out that certain information provided during this call and the responses to questions will contain forward-looking information. Please note that actual results could differ materially from CPC’s and CPILP’s conclusions, forecasts, or projections in the forward-looking information and certain material factors or assumptions were applied in drawing conclusions or making forecasts or projections as reflected in the forward-looking information. Additional information about the material factors and risks that 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 in today’s joint CPC and CPILP news release dated October 5, 2010 and in CPC’s and CPILP’s disclosure documents filed with securities regulators on SEDAR at sedar.com. I will now turn the call over to Stuart.

STUART LEE: Thanks Randy. Capital Power Income LP and Capital Power Corporation announced early this morning that CPILP will initiate a process to review its strategic alternatives to maximize value for both CPILP unit holders and CPC shareholders. The decision is based on strategic review processes undertaken by each of a Special Committee of the independent directors of CPILP and Capital Power Corporation. CPILP has retained independent legal and financial
advisors to assist with the process. Initiation of the strategic review is not in response to any proposed transaction for CPILP, nor can there be any assurances that will lead to a transaction.

The process to review strategic alternatives is expected to take place over the next several months.

I’ll now turn the call over to Brian.

BRIAN VAASJO: Thanks Stuart. Capital Power Corporation has advised the Special Committee that it will support the review of strategic alternatives and if the process results in a determination to proceed with the sale of the Partnership, CPC does not intend to participate as a prospective buyer. In the meantime, it will be business as usual. Capital Power in its role as the Manager will continue to manage the operations of the Partnership’s assets, identify acquisition opportunities that fit their strategy, and deliver on business plan priorities.

I’ll now turn the call over back to Randy.

RANDY MAH: Thanks Brian. Matt we are ready to start the question and answer session.

OPERATOR: Okay, perfect. Just as a reminder, ladies and gentlemen, to ask questions, hit 01, to withdraw your question, hit the # sign and we’ll give everybody about 30 seconds and then I’ll start introducing the questioner.

Our first question is from Rob Hope. Please go ahead Rob.

ROB HOPE: Yes, thank you. I was just wondering if CPX expects to remain as the Manager or if it is expected that management will be either transferred or internalized.

BRIAN VAASJO: So certainly there is a broad range of potential outcomes and that certainly is in the scope of that potential. At this point, it certainly is unclear and speculative as to what may happen in respect of the Partnership and what CPC may do with those employees.

ROB HOPE: Thank you and I guess as a follow up to that, would CPX be willing to sell down its LP interest and remain the GP (General Partner)?

BRIAN VAASJO: Again, that would be a decision to be made in the future and certainly would be dependent on a number of other circumstances.

ROB HOPE: Okay, thank you.

RANDY MAH: Matt, just as a reminder if you could introduce the people by their name and company name as well.

OPERATOR: Okay, perfect.

Our next question is from Nelson Ng from RBC Capital.

NELSON NG: Great, thanks. What are some of the main reasons why you are undertaking the strategic review?
STUART LEE: The main purpose of undertaking is just to look at ways to maximize value for all the LP unit holders. And believe now is a good time to undertake that review.

NELSON NG: Okay, and also I guess in terms of the North Carolina arbitration process, I guess, is there any update on that and I was just wondering whether you would look to resolve that process before starting the strategic review?

STUART LEE: I have no specific update on that, Nelson. Right now the expectation is that we will have an arbitration decision likely later in November. And I expect that this process will take several months as we go through the review process and will likely have an outcome from the arbitration decision before that process is complete.

NELSON NG: Okay. All right. Those are all my questions.

OPERATOR: Our next question is from Tony Courtright from Scotia Capital. Please go ahead Tony.

TONY COURTRIGHT: Thanks very much. Brian, could you clarify for me whether there is a termination price for the GP to relinquish that role if CPA, sort of the whole shooting match of the Limited Partnership could be sold?

BRIAN VAASJO: So Tony, in respect of, if I get your question correctly, you're asking whether there is a specific value associated with the General Partnership in the event that the entire assets and interests are sold?

TONY COURTRIGHT: Correct.

BRIAN VAASJO: That is certainly would be a subject of discussion at that point in time.

TONY COURTRIGHT: So there is no one formulaic mechanism at the moment?

BRIAN VAASJO: No, in the agreement there is no basic understanding in respect of what might be the value or any residual interest associated with that termination.

TONY COURTRIGHT: What is CPX’s understanding of the value of that role?

BRIAN VAASJO: At this point that would be pretty speculative and certainly assumes that there is a definite outcome towards a sale or at least a disposition by Capital Power. And certainly depending on the nature of the disposition, whether there’s value or not certainly would differ.

TONY COURTRIGHT: When you initially purchased the interest there was a purchase price that where there was no specific allocation granted between the Limited Partnership and the General Partnership. Internally did you ever make such an allocation and what’s your view of value now in relation to those allocations.

STUART LEE: There have been, Tony it’s Stuart, there would have been some allocations to the management agreement. I don’t believe there is any specific allocations back to the GP at the time that we acquired it from TransCanada.
TONY COURTRIGHT: Or maybe I’m asking the wrong question. Is there a value associated with the management agreement; any provisions for termination of that, same sort of line of reasoning or questioning that I posed earlier?

STUART LEE: So in the event that there is a sale of 100% of the Partnership, and again, that’s only one of the alternatives that we would be looking at. But in the event that there was successful sale, there is an understanding in place as far as the value of the management agreement in place.

TONY COURTRIGHT: All right. And can you elaborate on it?

STUART LEE: I wouldn’t comment any further than the fact that we have agreed to terms under which that might be terminated, the management agreement itself.

TONY COURTRIGHT: And when you say “we” have agreed, who is the we?

STUART LEE: That would be the independent directors of the Special Committee and as well as CPC.

TONY COURTRIGHT: And these agreements were made prior to the announcement of the strategic review?

STUART LEE: It was a decision that has been reached prior to the announcement today.

TONY COURTRIGHT: But recently or is something that pre-existed? I’m just trying to understand. It’s a convoluted ownership, and it doesn’t seem to be a simple way to extricate and I’m just trying to understand how it was derived or arrived at.

STUART LEE: It was derived in discussions and negotiations between the Special Committee and CPC in conjunction with trying to ensure that as we move forward in this process, it’s truly a joint process and we’re truly looking at maximizing value for all unit holders and obviously as part of that is consideration around the management agreement and making sure we’re aligned on that, so that we can maximize value.

TONY COURTRIGHT: So, presumably it was a recent development in terms of this discussion rather than one that arose when you initially acquired it or restructured it.

STUART LEE: Correct.

TONY COURTRIGHT: Okay, and so the independent directors are being advised by independent counsel and financial advisors.

STUART LEE: So the Special Committee was advised by independent legal and financial advisors. Currently now that we’ve agreed to go into joint process, we have advisors that are advising CPILP and so they are retained on behalf of CPILP to maximize value for CPILP unit holders.

TONY COURTRIGHT: And they are separate from the people that advise the board previously?

STUART LEE: The financial advisors include CIBC and Greenhill. And both, as I mentioned, are retained by the LP and previously those financial advisor would have been working in their
respective roles for both the Special Committee as well as for CPC and I think the belief going forward is because you have both advisors who have worked on this and looked at the different options. They were in the best position to continue to advise on an ongoing basis and because you have two advisors continuing in that role, there is appropriate governance and oversight.

TONY COURTRIGHT: And presumably Capital Power Corporation would, if need be, retain its own separate advisors.

STUART LEE: Yes.

TONY COURTRIGHT: Not withstanding that this is a joint process.

STUART LEE: Correct.

TONY COURTRIGHT: Do the independent directors have the ability to go back and retain their independent advisors separate from this joint advising group?

STUART LEE: They have that ability.

TONY COURTRIGHT: All right. Thank you very much. Those are my questions.

OPERATOR: Our next question is from Matthew Akman of Macquarie. Please go ahead.

MATTHEW AKMAN: Thank you. I just wanted to go back to first principles on this and I guess maybe this is a question, Brian, for you. I know that there was some strategic value seen in having different entities with different payout ratios that might have different cost of capital at different times. Did something change in your view of that or is that a driver for the transaction?

BRIAN VAASJO: Matthew, just going back, you’re absolutely right when we acquired the Partnership, or interest from the Partnership from TransCanada in 2005. Certainly the elements including change in tax law and what’s happening in the market in general has certainly closed, I’ll call that arbitrage opportunities between the cost in capital. Certainly expected that there continues to be some difference today but I think we made it clear during the IPO process last July that we didn’t really see that the LP continued to have that robust access of capital that we could utilize from a CPC standpoint in terms of selling assets down to the Partnership and in part gaining the value of that arbitrage. That gap just wasn’t big enough anymore. So in terms of it being a financial arbitrage opportunity on a go forward basis, we’ve come to the conclusion well before the IPO process that the value was no longer there.

MATTHEW AKMAN: Okay, thank you for that and just one follow up. You might have answered this in different language, but I just want to make sure I understand, is the potential take-in from CPA from CPX an option at all here or not?

BRIAN VAASJO: It is not an option.

MATTHEW AKMAN: Okay. Thank you. Those are my questions.
OPERATOR: Our next question is from Juan Plessis from Canaccord. Please go ahead.

JUAN PLESSIS: Thank you. I know you just stated that Capital Power Corp would not be a buyer for Capital Power Income LP, but you haven't stated whether it would be seller of its interest in Capital Power Income LP. Would Capital Power Corp be a seller?

BRIAN VAASJO: That is certainly implicit in a number of the options. I think Stuart commented on potentially the sale of 100% of the Partnership and all interests in the event that there was, as part of the process, it turned out there was some other sponsor stepping forward to take out Capital Power’s position and who would add greater value to the Partnership. So there is a number of possible outcomes that would require potentially Capital Power to divest of its interests and potentially no longer be the Manager and the General Partner.

JUAN PLESSIS: Okay, thank you for that. And one other question: who initiated the process or the idea to pursue a process? Was it the independent directors?

STUART LEE: It was really Management bringing forward a view at a strategic planning session of CPILP around exploring different alternatives and both sides taking it away and looking at those perspective alternatives both CPC and CPILP with Special Committee of the independent directors.

JUAN PLESSIS: Okay, thank you very much.

OPERATOR: Our next question is from Nelson Ng of RBC Capital. Please go ahead.

ROBERT KWAN: It’s actually Robert Kwan. Just on why CPX isn’t interested: can you just talk a little about that? Is it that you don’t like the value, you don’t like the strategic footprint or is it the cost of capital issue?

BRIAN VAASJO: Well I think there is a number of contributing factors. Certainly as we have just talked about, there continues to be some differences in cost of capital, which would make any sort of acquisition expensive from a Capital Power standpoint. We also look at the group of assets. It’s an outstanding platform of contracted assets throughout North America. You superimpose on that where we want to focus our attention particularly from the merchant standpoint. There are certainly assets in the North East market as well as the California market. But there are also a number of assets in other markets that don’t fit our strategy nearly as tightly as we would like. We think that a couple of the outcomes, potential outcomes, would result in us having no interest in this group of assets on a go-forward basis. We think that would certainly increase the focus we would have in respect of our focus market areas and growing Capital Power.

ROBERT KWAN: And Brian, I don’t know if you maybe partially answered the follow-up question here but, you talked a long time about a network hub strategy when you overlay the CPILP assets and
if anything they were one of the dominant drivers of the clusters of geographies. Are we to take away that you’re refocusing the strategy of CPX either to fewer geographic areas or maybe even quasi-abandoning the merchant network hub strategy for the US and focusing on Canadian contracted generation?

BRIAN VAASJO: Not whatsoever. Just to be clear, the network hub strategy has basically three levels of benefits. The greatest benefit is where you’re able to combine merchant assets and under that you can create as we have in Alberta, significant ability when you are able to dispatch across a range of facilities, you can create tremendous value. With contracted facilities, you are not able to do that. And that’s the major benefit of a network hub strategy. There are certainly operating efficiencies that one can gain depending on how homogeneous your assets are. And we would see that as a secondary or tertiary benefit. So the main factor, the main driver behind a network hub is again the merchant asset side of it and we do expect we will create network hubs in California, in the mid-Atlantic, and in the US North East over the next few years.

ROBERT KWAN: Thank you.

OPERATOR: Our next question is from Rob Hope of TD Newcrest. Please go ahead.

ROB HOPE: Thank you. If there is a sale of the Partnership, what would the proceeds be used for at Capital Power Corp?

BRIAN VAASJO: So Rob, we have a number of things on the go. We are soon going to be closing the acquisition of Islands facility. We’ve got a number of development projects that have come to fruition and will soon be starting construction that we have committed over a billion dollars of capital this year and we’ve probably got more than that in the queue where we’re expecting other developments to take place. Any proceeds that we would receive would become part of the financing of these new activities.

ROB HOPE: Great. Thank you.

OPERATOR: Our next question is from Juan Plessis of Canaccord. Please go ahead.

JUAN PLESSIS: Hi, thanks very much. I’m just wondering if Capital Power Income were to be sold, would Capital Power Corporation demand a premium for their control position and their management contract?

BRIAN VAASJO: So I think as Stuart already commented we certainly have concluded with the independent directors on a value around the management contract. In respect of a control position, one of the elements, and what was very important again, as Stuart had explained, is that for us to go together and work with the independent directors and be of common perspective and basically have no conflicts so to speak as we go forward in this process, it requires us to look at
value in basically the same way. So we would expect as Capital Power to receive the same consideration as other unit holders.

JUAN PLESSIS: Okay, thank you.

OPERATOR: Our next question is from Tony Courtright of Scotia Capital. Please go ahead.

TONY COURTRIGHT: Just two clarifications: one, the last point you said, Brian, to receive the same value as other unit holders insofar as your LP units separate from the management agreement, is that correct?

BRIAN VAASJO: That is correct.

TONY COURTRIGHT: So there is a value that’s been discussed for the management agreement and otherwise you expect to be treated equitably with other LP unit holders.

BRIAN VAASJO: That is correct.

TONY COURTRIGHT: Okay. Then my second question devolves around you mentioned you wouldn’t be a buyer of CPA? Would there be select assets within CPA, if the form of value maximization permit it, would you be interested in specific assets and you might bid on those?

BRIAN VAASJO: Well you never really know where these processes can lead, but I would say that at this point in time; CPC, the independent directors, and our financial advisors are all of the belief that this is a tremendous platform of assets and there would be significant interest in the overall group by a number of potential buyers. We see, regardless almost of any direction that this may go, maintaining all the assets as a group probably maximizes value.

TONY COURTRIGHT: All right, well that’s very informative. Thank you very much.

OPERATOR: There are no more questions at this time.

RANDY MAH: Okay Matt, if there are no more further questions, we’ll conclude our conference call. Thanks again for your participation and for your interest in Capital Power Corporation and Capital Power Income LP. Have a good day everyone.

OPERATOR: Ladies and gentlemen, that concludes the Capital Power Income LP and Capital Power Corporation Analyst Conference Call. Thank you for your participation.

[CONFERENCE CALL CONCLUDED]